

Best Pacific International Holdings Limited 超盈國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 2111

Global Offering



Sole Global Coordinator and Sole Sponsor



Joint Bookrunners and Joint Lead Managers



IMPORTANT

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

Best Pacific International Holdings Limited 超盈國際控股有限公司

(incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares	:	250,000,000 Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	:	25,000,000 Shares (subject to adjustment)
Number of International Offer Shares	:	225,000,000 Shares (subject to adjustment and the Over-allotment Option)
Maximum Offer Price	:	HK\$2.50 per Offer Share, plus brokerage fee of 1%, SFC transaction levy of 0.003%, and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal Value	:	HK\$0.01 per Share
Stock Code	:	2111

Sole Global Coordinator and Sole Sponsor



建银国际
CCB International

Joint Bookrunners and Joint Lead Managers



建银国际
CCB International



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 of Hong Kong (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 (on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or about Friday, 16 May 2014 and, in any event, not later than Wednesday, 21 May 2014. The Offer Price will be not more than HK\$2.50 and is currently expected to be not less than HK\$1.85. Applicants for Hong Kong Offer Shares are required to pay, on application, the maximum offer price of HK\$2.50 for each Hong Kong Offer Share together with brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price should be lower than HK\$2.50.

The Sole Global Coordinator (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 Offering. In such a case, a notice of the reduction in the number of Offer Shares and/or the indicative offer price range will be published in the South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. If, for any reason, the Sole Global Coordinator (on behalf of the Hong Kong Underwriters) and our Company are unable to reach an agreement on the Offer Price by Wednesday, 21 May 2014, 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 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 (on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the day that trading in our Shares commences on the Stock Exchange. Such grounds are set out in the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination" in this prospectus. It is important that you refer to that section for further details.

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 within the United States, or for the account or benefit of U.S. persons, except that Offer Shares may be offered, sold or delivered to outside the United States in accordance with Regulation S.

EXPECTED TIMETABLE⁽¹⁾

Latest time to complete electronic applications under White Form eIPO service through the designated website at www.eipo.com.hk ⁽²⁾	11:30 a.m. on Friday, 16 May 2014
Application lists open ⁽³⁾	11:45 a.m. on Friday, 16 May 2014
Latest time to lodge WHITE and YELLOW Application Forms	12:00 noon on Friday, 16 May 2014
Latest time to give electronic application instructions to HKSCC ⁽⁴⁾	12:00 noon on Friday, 16 May 2014
Latest time to complete payment of White Form eIPO applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Friday, 16 May 2014
Application lists close	12:00 noon on Friday, 16 May 2014
Expected Price Determination Date	Friday, 16 May 2014
(1) Announcement of the final Offer Price, the level of the applications in the Hong Kong Public Offering, the level of indication of interest in the International Offering and the basis of allotment of the Hong Kong Offer Shares to be published in the South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on or before ...	Thursday, 22 May 2014
(2) Results of allocations (with successful applicants' Identification document numbers or Hong Kong business registration numbers) of the Hong Kong Public Offering will be available through a variety of channels as described in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus	Thursday, 22 May 2014
A full announcement of the Hong Kong Public Offering containing (1) and (2) above to be published on the website of the Stock Exchange at www.hkexnews.hk ⁽⁶⁾ and our Company's website at www.bestpacific.com ⁽⁷⁾ from	Thursday, 22 May 2014
Results of allocations in the Hong Kong Public Offering will be available at www.iporeresults.com.hk with a "search by ID function"	Thursday, 22 May 2014
Despatch of White Form e-Refund payment instructions/ refund cheques in respect of wholly successful (if applicable) and wholly and partially unsuccessful Applications under the Hong Kong Public Offering on or before ⁽⁸⁾⁽⁹⁾	Thursday, 22 May 2014
Despatch of Share certificates of the Offer Shares or deposit of Share certificates of Offer Shares into CCASS in respect of wholly or partially successful applications under the Hong Kong Public Offer on or before ⁽⁵⁾⁽⁹⁾	Thursday, 22 May 2014
Dealings in Shares on the Stock Exchange expected to commence at	Friday, 23 May 2014

EXPECTED TIMETABLE⁽¹⁾

Notes:

- (1) All times refer to Hong Kong local time, except as otherwise stated.
- (2) You will not be permitted to submit your application to the **White Form eIPO** Service Provider through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force at any time between 9:00 a.m. and 12:00 noon on Friday, 16 May 2014, the application lists will not open on that day. Please refer to the section headed “How to Apply for Hong Kong Offer Shares — Effect of Bad Weather on the Opening of the Application Lists” in this prospectus. If the application lists do not open and close on Friday, 16 May 2014, the dates mentioned in this section headed “Expected Timetable” may be affected. A press announcement will be made by us in such event.
- (4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed “How to Apply for Hong Kong Offer Shares — Applying by giving electronic application instructions to HKSCC via CCASS” in this prospectus.
- (5) Share certificates for the Offer Shares will only become valid certificates of title at 8:00 a.m. on Friday, 23 May 2014 provided that (i) the Global Offering has become unconditional in all respects and (ii) neither of the Underwriting Agreements have been terminated in accordance with its terms.
- (6) The announcement will be available for viewing on the Stock Exchange’s website at www.hkexnews.hk.
- (7) Neither our Company’s website nor any of the information contained on our Company’s website forms part of this prospectus.
- (8) e-Refund payment instructions/refund checks will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant’s Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund check, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant’s Hong Kong identity card number or passport number before cashing the refund check. Inaccurate completion of an applicant’s Hong Kong identity card number or passport number may lead to delays in encashment of, or may invalidate, the refund check.
- (9) Applicants who have applied on **WHITE** Application Forms for 1,000,000 or more Hong Kong Offer Shares under the Hong Kong Public Offering and have provided all required information may collect any refund checks and share certificates in person from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong between 9:00 a.m. to 1:00 p.m. on Thursday, 22 May 2014. 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 by 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, identification and (where applicable) authorisation documents acceptable to our 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 Offering and have provided all required information may collect their refund checks, if any, in person but may not 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 checks for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants. Applicants who have applied through the **White Form eIPO** service for 1,000,000 or more Hong Kong Offer Shares under the Hong Kong Public Offering can collect their share certificates (if any) in person from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong between 9:00 a.m. to 1:00 p.m. on Thursday, 22 May 2014. For applicants who apply through the **White Form eIPO** service and paid the application monies from a single bank account, e-Refund payment instructions (if any) will be despatched to their application payment bank account on or before Thursday, 22 May 2014; For applicants who apply through the **White Form eIPO** service and used multi-bank accounts to pay the application monies, refund check (if any) will be despatched to the address specified in their electronic application instruction to the **White Form eIPO** Service Provider on or before Thursday, 22 May 2014. Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus for details. Uncollected share certificates and/or refund checks will be despatched by ordinary post, at the applicants’ own risk to the addresses specified in the relevant applications. Further information is set out in the section headed “How to Apply for Hong Kong Offer Shares — Applying through White Form eIPO Service” in this prospectus.

Particulars of the structure of the Global Offering, including the conditions thereto, are set out in the section headed “Structure of the Global Offering” in this prospectus.

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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 not given or representation not made in this prospectus must not be relied on by you as having been authorised by us, the Sole Global Coordinator, 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

OVERVIEW

We are a one-stop solutions provider of lingerie materials. We were the largest lingerie materials manufacturer in the world in terms of sales revenue in 2012 with a market share of approximately 2.3%, ranking first in the manufacture of elastic fabrics and second in the manufacture of elastic webbing, according to the Frost & Sullivan Report. We are one of the few lingerie materials manufacturers in the world that are able to provide one-stop solutions to lingerie brand owners through our comprehensive product line of lingerie materials, including elastic fabrics, elastic webbing and lace.

We have established long-term and close collaborations with leading lingerie brands including Aimer, Chantelle, Embry Form, Maniform, Marks & Spencer, Spanx, Triumph, Victoria's Secret and Wacoal[^]. Through our strong innovative and product development capabilities, we not only manufacture lingerie materials for these brands, but also jointly develop new lingerie materials and products with the aim of creating new market trends for lingerie products. We believe that our close collaboration with brand owners allow us to not only keep abreast of the latest trend and demand for the different types of lingerie materials, but also allow us to be part of the trend setters and enhance our relationship with the brand owners. As at the Latest Practicable Date, we had business relationships with such leading lingerie brands for a period ranging from five to 10 years.

Depending on the arrangements with lingerie brand owners, we either directly enter into contracts with lingerie brand owners or enter into contracts with their designated OEMs for our products. For contracts entered into directly with lingerie brand owners, such as Aimer, Embry Form, Maniform, Triumph and Wacoal[^], the lingerie brand owners directly place their purchase orders with us for the procurement of our products, such as elastic fabrics, elastic webbing and lace, of which they will further manufacture into lingerie products. For lingerie brand owners which we do not have direct contractual arrangements with, such as Chantelle, Marks & Spencer, Spanx and Victoria's Secret[^], they may instruct their OEMs to place orders with us for our products as these brand owners usually drive the lingerie materials procurement process by selecting their desired lingerie materials suppliers.

We have started to broaden our customer base by expanding into new segments and markets. In the second half of 2012, we established our lace business segment to broaden our product offerings and to enlarge our market share in the global lingerie materials market which usually generates a higher gross profit margin compared to other lingerie materials. Further, given the similarities in the specification and functionality of elastic fabrics and elastic webbing used in lingerie and sportswear, we began to further expand into the sportswear materials market by offering elastic fabrics and elastic webbing to sportswear brand owners or sportswear manufacturers for the production of sportswear such as sports bras, cycling, running and yoga outfits and casual apparels. We began to cooperate with certain well-known sportswear brands such as Under Armour in 2012 and Lululemon in 2013 and will continue to seek for potential collaborations with other sportswear brands.

Our research and development team works with the design departments of lingerie brand owners and lingerie manufacturers to turn their design concepts into new products to adapt to evolving consumer demands after which we may provide the newly developed products to them on an exclusive basis. On the other hand, our research and development team works closely with our major raw materials suppliers, who are leading players in the nylon and spandex industries, to develop new fabrics or materials to meet lingerie brand owners' and lingerie manufacturers'

Note:

[^] brands are arranged in alphabetical order

SUMMARY

specifications. We believe our strong research and development capabilities can assist us in strengthening and maintaining our collaborations with lingerie brands and raw material suppliers.

Our revenue increased from HK\$1,397.1 million for the year ended 31 December 2011 to HK\$1,659.4 million for the year ended 31 December 2013, representing a CAGR of 9.0%. Our profit for the year increased from HK\$205.9 million for the year ended 31 December 2011 to HK\$244.5 million for the year ended 31 December 2013, representing a CAGR of 9.0%.

COMPETITIVE STRENGTHS

We believe the following strengths contribute to our position as a leading manufacturer of lingerie materials in the global lingerie materials market:

- Leading position in the global lingerie materials industry
- One-stop solutions provider of a comprehensive range of lingerie materials
- Established long-term relationships with leading lingerie brands and lingerie manufacturers
- Strong innovative and research and development capabilities
- Experienced management team and strong corporate culture of innovation and dedication

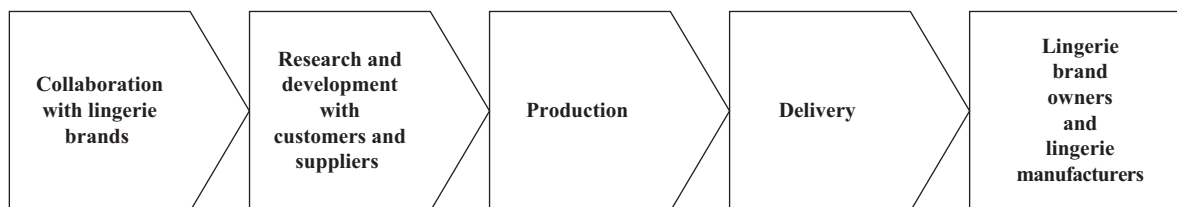
BUSINESS STRATEGIES

We plan to strengthen our position as a leading manufacturer of lingerie materials in the global lingerie materials market by adopting the following business strategies:

- Broaden our customer base by expanding into new segments and markets
- Enhance our one-stop solutions
- Expand our production capacity and streamline and standardise our production process
- Further strengthen our research and development capabilities

OUR BUSINESS MODEL

The following diagram illustrates our value chain and business model:



COLLABORATIONS WITH LINGERIE BRANDS

We have established long-term and close collaborations with leading lingerie brands including Aimer, Chantelle, Embry Form, Maniform, Marks & Spencer, Spanx, Triumph, Victoria's Secret and Wacoal[^]. Through our strong innovative and product development

Note:

[^] brands are arranged in alphabetical order

SUMMARY

capabilities, we not only manufacture products for these brands, but also jointly develop new lingerie materials and products with the aim of creating new market trends for lingerie products. As at the Latest Practicable Date, we had business relationships with such leading lingerie brands for periods ranging from five to 10 years.

Depending on the arrangements with lingerie brand owners, we either directly enter into contracts with lingerie brand owners or enter into contracts with their designated OEMs for our products. For contracts entered into directly with lingerie brand owners, the lingerie brand owners directly place their purchase orders with us for the procurement of our products, such as elastic fabrics, elastic webbing and lace, of which they will further manufacture into lingerie products. We have direct procurement relationships with the lingerie brand owners of Aimer, Embry Form, Maniform, Triumph and Wacoal[^].

We have indirect relationships with certain lingerie brand owners such as Chantelle, Marks & Spencer, Spanx and Victoria's Secret[^]. Under this arrangement, we enter into contracts with the OEMs designated by these brand owners where such brand owners wish to use our products in their lingerie products, instead of directly entering into contracts with the lingerie brand owners. These brand owners usually drive their lingerie materials procurement process and select their desired lingerie materials suppliers for the production of their lingerie products by their OEMs. Our collaborations with these lingerie brand owners are the same as our collaborations with other lingerie brand owners which we have direct contractual relationships with, save for the difference in the placing of purchase orders with us.

COLLABORATIONS WITH SPORTSWEAR BRANDS

Given the similarities in the specification and functionality of elastic fabrics and elastic webbing used in lingerie and sportswear, we began to further expand into the sportswear materials market by offering elastic fabrics and elastic webbing to sportswear brand owners or sportswear manufacturers for the production of sportswear such as sports bras, cycling, running and yoga outfits and casual apparels. We began to cooperate with certain well-known sportswear brands such as Under Armour in 2012 and Lululemon in 2013 and will continue to seek for potential collaborations with other sportswear brands. Our collaborations with sportswear brand owners are similar to our collaborations with lingerie brand owners.

SALES, MARKETING AND CUSTOMER RELATIONSHIPS

On top of maintaining close relationships with lingerie brand owners and lingerie manufacturers to secure our revenue stream, we also promote our products by participating in exhibitions and trade fairs. We regularly attend lingerie exhibitions and trade fairs in France, Shanghai and Hong Kong in order to enhance our brand recognition, obtain latest market intelligence and attract new customers.

We will also expand our customer base and sales through referrals by lingerie brand owners and lingerie manufacturers. For the years ended 31 December 2011, 2012 and 2013, our marketing and promotion expenses were HK\$4.3 million, HK\$4.2 million and HK\$5.0 million, representing 0.3%, 0.3% and 0.3% of our total revenue, respectively.

Note:

[^] brands are arranged in alphabetical order

SUMMARY

PRODUCTS

Our main products are elastic fabrics, elastic webbing and lace. Elastic fabric is a synthetic fabric that stretches and is made from synthetic fibres such as nylon and spandex. Elastic webbing is generally made from synthetic fibres such as nylon and spandex. Elastic webbing is a main accessory for lingerie production and is commonly used as shoulder straps, lingerie trims and waistbands. Lace is a fabric patterned with open holes in the work. Lace is an important material for lingerie that can be manufactured in different colours and patterns.

The following table sets forth the revenue, percentage of total revenue, total sales volume and average selling price of each of our products for the periods indicated:

	Year ended 31 December											
	2011				2012				2013			
	Revenue (HK\$'000)	% of revenue	Total sales volume ('000 m.)	Average selling price (HK\$/m.)	Revenue (HK\$'000)	% of revenue	Total sales volume ('000 m.)	Average selling price (HK\$/m.)	Revenue (HK\$'000)	% of revenue	Total sales volume ('000 m.)	Average selling price (HK\$/m.)
Elastic fabric . . .	938,119	67.1	23,159	40.51	928,821	66.2	22,539	41.21	1,075,977	64.8	27,518	39.10
Elastic webbing	458,985	32.9	525,752	0.87	473,706	33.7	521,034	0.91	563,511	34.0	608,448	0.93
Lace	—	—	—	—	799	0.1	37	21.40	19,959	1.2	1,194	16.72
Total	1,397,104	100.0	548,911		1,403,326	100.0	543,610		1,659,447	100.0	637,160	

PRODUCTION CAPACITY

During the Track Record Period, all production activities carried out by us were conducted at our production facilities, all of which are located in Dongguan City, Guangdong Province, the PRC. We currently have a total of eight production facilities with an aggregate gross floor area of approximately 218,449.6 sq. m., of which five phases were constructed by ourselves and three were rented by us. The following table sets forth the number of machines, designed capacity, actual output and utilisation rates of our production facilities during the Track Record Period:

	Year ended 31 December											
	2011				2012				2013			
	Number of machines	Designed capacity (million m.) ⁽¹⁾	Actual output (million m.)	Utilisation rate (%) ⁽²⁾	Number of machines	Designed capacity (million m.) ⁽¹⁾	Actual output (million m.)	Utilisation rate (%) ⁽²⁾	Number of machines	Designed capacity (million m.) ⁽¹⁾	Actual output (million m.)	Utilisation rate (%) ⁽²⁾
Elastic fabrics	173	31.7	22.7	71.8	190	39.9	22.8	57.1	235	44.5	28.9	64.8
Elastic webbing	773	779.7	554.1	71.1	775	794.3	563.9	71.0	801	815.8	667.2	81.8
Lace	3	0.0 ⁽³⁾	—	—	9	2.6	0.0	0.0	14	4.8	1.2	25.4

Notes:

(1) The designed capacity is determined based on the management's estimate of the amount of products that a production base or knitting machine is capable of producing on an annual basis and is based on factors which affect normal operating limits such as the capacity of equipment to process a material, the type of product produced, the variability of and availability of raw materials, energy and water and regular and periodic maintenance. The designed capacity of each product type is derived on the assumption that the production is operated 24 hours per day and 330 days per year and calculated by the number of machines on the basis of weighted average by months.

(2) Utilisation rate of each product type is derived by dividing the actual output by the designed capacity.

(3) There was approximately zero designed capacity of lace for the year ended 31 December 2011, as we purchased the lace machines in December 2011.

SUMMARY

PRODUCTION PROCESS

Our production process is capital intensive as it is highly mechanised. We process nylon and spandex into elastic fabrics, elastic webbing and lace. The following diagram illustrates the production process of our elastic fabrics, elastic webbing and lace:

Elastic fabrics and lace



Elastic webbing



PROCUREMENT

The primary raw materials used in our production are nylon and spandex. In addition to nylon and spandex, we also source dyes from our suppliers. For the years ended 31 December 2011, 2012 and 2013, our total cost of raw materials consumed accounted for 66.6%, 62.0% and 59.9% of our total cost of sales, respectively. During the Track Record Period, we purchased our raw materials from the PRC, Taiwan, Hong Kong and overseas suppliers.

EXPANSION PLAN

We plan to expand our production capacity by purchasing additional machineries and constructing a new production facility. For the year ending 31 December 2014, we plan to purchase 195 sets of additional machineries at an estimated capital expenditure of HK\$108.0 million. For the year ending 31 December 2015, we plan to purchase 214 sets of additional machineries at an estimated capital expenditure of HK\$112.5 million. The annual designed capacity of elastic fabrics, elastic webbing and lace are estimated to increase to 69.1 million m., 1,116.3 million m. and 19.1 million m., respectively by 2015.

We also plan to construct our ninth production facility (namely phase VI), which will have a gross floor area of 34,858.0 sq. m.. Our estimated capital expenditure on the construction of the ninth production facility is HK\$101.3 million, of which HK\$1.3 million was incurred for the year ended 31 December 2013 primarily for the pre-construction of the land and HK\$100.0 million will be incurred for the year ending 31 December 2015. It is expected that the construction of our ninth production facility will commence in 2015 and our ninth production facility will increase the gross floor area of our production facilities from 218,449.6 sq. m. as at the Latest Practicable Date to 253,307.6 sq. m. by 31 December 2015.

COMPETITIVE LANDSCAPE

We believe the global lingerie materials market is fragmented with a large number of local and overseas players. According to the Frost & Sullivan Report, in 2012, the top five players in the global lingerie materials market in aggregate occupied only approximately 9.0% of the market share by sales revenue. Among them, we were the largest supplier of lingerie materials worldwide

SUMMARY

in 2012 with a total revenue of US\$174.9 million, representing approximately 2.3% of the total market share by sales revenue.

NON-COMPLIANCES

During the Track Record Period and as at the Latest Practicable Date, we failed to comply with certain applicable laws and regulations, including non-compliant bill financing in the PRC and non-compliance in relation to the predecessor Companies Ordinance. Our Directors consider that such non-compliances will not have any material operational or financial impact on us. In order to ensure future compliance with applicable laws and regulations and related policies in different operational aspects, we have adopted or will adopt a number of remedial actions. Please refer to the section headed “Business — Legal Proceedings and Compliance — Non-compliance records” in this prospectus for details regarding these non-compliances and our other historical non-compliance incidents.

RISK FACTORS

There are certain risks involved in our operations. Any risks and uncertainties could have a material adverse effect on our business, financial condition and results of operations or the trading price of our Shares, and could cause you to lose all or a portion of your investment. Below sets forth the major risk factors in relation to our operations:

- Our success depends on our ability and our customers’ ability to anticipate and respond in a timely manner to the rapid changes in consumer preferences, increasing demand for design and quality, and advances in technologies.
- We do not enter into long-term contracts with our customers, which exposes us to uncertainty and potential volatility with respect to our revenue from period to period.
- Our sales may be subject to seasonality and any comparison of our operating results between interim and annual results may not be meaningful.
- We depend on a stable and adequate supply of raw materials and we do not enter into any long-term agreements with our suppliers, which exposes us to uncertainty and potential volatility with respect to our cost of raw materials.
- We are subject to risks of fluctuations in the exchange rate between the RMB and Hong Kong or U.S. dollars.

A detailed discussion of the risk factors is set forth in the section headed “Risk Factors” in this prospectus.

SUMMARY

SUMMARY OF HISTORICAL COMBINED FINANCIAL INFORMATION

Combined Statement of Profit or Loss and other Comprehensive Income

The following table sets forth a summary of the combined statement of profit or loss and other comprehensive income of our Group for the years ended 31 December 2011, 2012 and 2013:

	Year ended 31 December		
	2011	2012	2013
	(HK\$'000)	(HK\$'000)	(HK\$'000)
Revenue	1,397,104	1,403,326	1,659,447
Cost of sales	(949,496)	(954,233)	(1,136,990)
Gross profit	447,608	449,093	522,457
Other income	17,027	24,559	26,297
Other gains and losses	(14,031)	7,201	3,399
Selling and distribution expenses	(62,122)	(68,800)	(75,976)
Administrative expenses	(78,900)	(84,881)	(90,075)
Other expenses	(21,479)	(36,779)	(44,521)
Finance costs	(44,432)	(50,162)	(40,424)
Profit before taxation	243,671	240,231	301,157
Income tax expense	(37,796)	(42,180)	(56,652)
Profit for the year	205,875	198,051	244,505

Key Combined Statement of Financial Position Information

The following table sets forth a summary of the key combined statement of financial position information of our Group as at 31 December 2011, 2012 and 2013:

	As at 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Non-current assets	893,276	1,022,623	1,185,804
Current assets	988,439	1,079,889	983,065
Current liabilities	(1,392,188)	(1,445,218)	(852,894)
Net current (liabilities) assets	(403,749)	(365,329)	130,171
Net assets	418,675	607,915	832,199
Total equity	418,675	607,915	832,199

SUMMARY

Key Cash Flows Statement Information

The following table sets forth a summary of the key cash flows statement information of our Group for the years ended 31 December 2011, 2012 and 2013:

	Year ended 31 December		
	2011	2012	2013
	(HK\$'000)	(HK\$'000)	(HK\$'000)
Net cash from operating activities	144,188	368,747	345,154
Net cash used in investing activities	(79,889)	(224,736)	(21,626)
Net cash used in financing activities	(25,316)	(122,116)	(376,319)
Net increase (decrease) in cash and cash equivalents	38,983	21,895	(52,791)
Cash and cash equivalents at beginning of the year	83,686	125,181	147,686
Effect of foreign exchange rate changes	2,512	610	2,641
Cash and cash equivalents at end of year	125,181	147,686	97,536

Financial Ratios

The table below sets forth a summary of our key financial ratios during the Track Record Period:

	As at/year ended 31 December		
	2011	2012	2013
Profitability ratios:			
Gross profit margin	32.0%	32.0%	31.5%
Net profit margin	14.7%	14.1%	14.7%
Return on equity	66.1%	38.6%	34.0%
Return on total assets	10.9%	9.4%	11.3%
Liquidity ratios:			
Current ratio	0.7	0.7	1.2
Quick ratio	0.5	0.6	0.8
Turnover ratios:			
Inventories turnover days	65.2	88.4	88.0
Trade and bills receivables turnover days	87.2	100.9	91.9
Trade and bills payables turnover days	60.9	85.7	88.7
Capital adequacy ratios:			
Gearing ratio	179.8%	141.7%	95.8%

RECENT DEVELOPMENT

Our revenue increased from approximately HK\$313.4 million for the three months ended 31 March 2013 to approximately HK\$387.5 million for the three months ended 31 March 2014. The financial information for the three months ended 31 March 2013 and 2014 was extracted from the unaudited condensed consolidated financial statements for the three months ended 31 March 2014 prepared by our Directors in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants, which were reviewed by Deloitte Touche Tohmatsu, the reporting accountants of our Company, in accordance with Hong Kong Standard on Review Engagement 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. The comparative financial information for the three months ended 31 March 2013 has not been reviewed. For the three months ended 31 March 2014, our sales

SUMMARY

volume for elastic fabrics, elastic webbing and lace were approximately 6.5 million m., 140.4 million m. and 346,000 m., respectively. Our sales volume of elastic fabrics, elastic webbing and lace for the three months ended 31 March 2014 was higher than the sales volume of approximately 5.2 million m., 120.8 million m. and 23,000 m. for the three months ended 31 March 2013, respectively. The increase was mainly due to the increase in demand for our products. Our gross profit margin for the three months ended 31 March 2014 remained relatively stable as compared to that for the year ended 31 December 2013.

Our Directors confirm that there have not been any material adverse changes in our financial or trading position or prospects subsequent to the Track Record Period and up to the date of this prospectus. As far as we are aware, there was no material change in the general lingerie materials market conditions that had affected or would affect our business operations or financial conditions materially or adversely.

OUR SHAREHOLDING STRUCTURE

Immediately upon completion of the Global Offering and the Capitalisation Issue (taking no account of our Shares which may be issued pursuant to the exercise of the Over-allotment Option and that none of the options which were granted under the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme is exercised), Grandview, which is wholly-owned by Mr. Lu, will be interested in 63.75% of the issued share capital of our Company. Hence, Grandview and Mr. Lu will be our Controlling Shareholders within the meaning of the Listing Rules. Grandview was incorporated in the BVI on 28 September 2010 and is an investment holding company.

OFFER STATISTICS

	Based on the lower end of indicative Offer Price range of HK\$1.85 per Share	Based on the higher end of the indicative Offer Price range of HK\$2.50 per Share
Market capitalisation of our Shares ⁽¹⁾	HK\$1,850 million	HK\$2,500 million
Pro forma adjusted combined net tangible asset value per Share ⁽²⁾ ...	HK\$1.15	HK\$1.31

Notes:

- (1) All statistics in this table are based on the assumption that the Over-allotment Option is not exercised. The calculation of market capitalisation is based on 1,000,000,000 Shares which are expected to be issued and outstanding following the completion of the Global Offering.
- (2) The pro forma adjusted combined net tangible asset value per Share is calculated after making the adjustment referred to in Appendix II and based on 1,000,000,000 Shares which are expected to be issued and outstanding following the completion of the Global Offering.

PRE-IPO SHARE OPTION SCHEME

We have conditionally granted options to subscribe for an aggregate of 26,470,000 Shares, representing approximately 2.65% of the enlarged issued share capital of our Company immediately following completion of the Capitalisation Issue and the Global Offering (assuming that the Over-allotment Option is not exercised and taking no account of the options which were granted under the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme) at an exercise price equal to 50% of the final Offer Price to 27 grantees under the Pre-IPO Share Option Scheme. Assuming all such options are exercised, our Shares outstanding upon the completion of the Capitalisation Issue and the Global Offering would be diluted by approximately 2.65%. It is expected that a charge in relation to the options granted under the Pre-IPO Share Option Scheme in the amount of not more than HK\$8.8 million will be recognised as expenses in the combined statement of profit or loss information of our Group for the year ending 31 December 2014.

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FUTURE PLANS AND USE OF PROCEEDS

In the event that the Over-allotment Option is not exercised, we estimate the net proceeds of the Global Offering which we will receive, assuming an Offer Price of HK\$2.18 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus), will be approximately HK\$495.8 million, after deduction of underwriting fees and commissions and other estimated expenses in connection with the Global Offering.

We intend to use the net proceeds of the Global Offering for the following purposes:

- approximately 70%, representing approximately HK\$347.0 million, will be used to increase our production capacity by purchasing additional machineries and building our ninth production facility including:
 - HK\$20.5 million for purchasing 55 sets of machineries for elastic fabrics segment, HK\$28.4 million for purchasing and settling the remaining purchase price of a total of 129 sets of machineries for elastic webbing segment and HK\$27.2 million for purchasing and settling the remaining purchase price of a total of 11 sets of machineries for lace segment for the year ending 31 December 2014;
 - HK\$29.4 million for purchasing 75 sets of machineries for elastic fabrics segment, HK\$29.9 million for purchasing 129 sets of machineries for elastic webbing segment, HK\$53.2 million for purchasing of 10 sets of machineries for the lace segment, and HK\$100.0 million for constructing our ninth production facility for the year ending 31 December 2015; and
 - The remaining HK\$58.4 million for our expansion plan from 2015 onward.
- approximately 20%, representing approximately HK\$99.2 million, will be used to settle part of our syndicated loan incurred on 16 July 2013 used by us to re-finance our short-term loans in the PRC. The details of our syndicated loan are set out below:

Syndicated lenders	Outstanding principal amount	Repayment date	Interest Rate
Bank of China (Hong Kong) Limited, China CITIC Bank International Limited,	HK\$43.5 million	16 July 2014	Hong Kong Interbank Offered Rate (“ HIBOR ”) +3.6%
DBS Bank (Hong Kong) Limited, Hang Seng Bank Limited and Standard Chartered Bank (Hong Kong) Limited	HK\$65.3 million	16 January 2015	HIBOR +3.6%
	HK\$65.3 million	16 July 2015	HIBOR +3.6%
	HK\$87.0 million	16 January 2016	HIBOR +3.6%
	HK\$173.9 million	16 July 2016	HIBOR +3.6%

- approximately 10%, representing approximately HK\$49.6 million, will be used as our working capital and general corporate purposes.

SUMMARY

LISTING EXPENSES

The estimated total listing expenses incurred in relation to this Global Offering are estimated to be approximately HK\$49.2 million, of which HK\$23.1 million is expected to be capitalised upon the Listing. Up to 31 December 2013, we paid HK\$8.2 million of listing expenses of which HK\$6.9 million was recognised in the combined statements of profit or loss and other comprehensive income. We estimate that additional listing expenses of HK\$41.0 million will be incurred after 31 December 2013 and HK\$19.2 million will be further charged to the combined statements of profit or loss and other comprehensive income after 31 December 2013. These listing expenses are mainly comprised underwriting commission, professional fees paid to legal advisers, reporting accountant and the sponsor fee for the Sole Sponsor (for the amount of HK\$3.0 million) for their services rendered in relation to the Listing and the Global Offering.

DIVIDEND POLICY

Our Board of Directors is responsible for submitting proposals in respect of dividend payments, if any, to our Shareholders' general meeting for approval. Our dividend distribution is based on our profit available for appropriation. During the year ended 31 December 2013, we declared and paid dividends of HK\$60.0 million. Subject to the policies discussed in the section headed "Financial Information — Dividend Policy and Distributable Reserves" in this prospectus, we intend to recommend annually in subsequent years for the foreseeable future a dividend distribution of not less than 20% of our distributable profit for the year. Such intention does not amount to any guarantee or representation or indication that we must or will declare and pay dividends in such manner or declare and pay any dividends at all.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following words and expressions shall have the following meanings. Certain other terms are explained in the section headed “Glossary of Technical Terms” in this prospectus.

“Application Form(s)”	WHITE, YELLOW and GREEN application form(s), or where the context so requires, any of them
“Application Lists”	the application lists for the Hong Kong Public Offering
“Articles of Association” or “Articles”	the amended and restated articles of association of our Company conditionally adopted on 8 May 2014 which shall become effective upon commencement of trading of our Shares on the Stock Exchange and as amended, supplemented or otherwise modified from time to time, a summary of which is set out in the section headed “Summary of the Constitution of our Company and Cayman Islands Companies Law” in Appendix IV to this prospectus
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board of Directors” or “Board”	our board of Directors
“BP Investment”	Best Pacific Investment (Hong Kong) Limited (超盈投資(香港)有限公司), a limited liability company incorporated in Hong Kong on 19 October 2010 and an indirect wholly-owned subsidiary of our Company
“BPT”	Best Pacific Textile Limited (超盈紡織有限公司), a limited liability company incorporated in Hong Kong on 13 March 2003 and an indirect wholly-owned subsidiary of our Company
“BPT (HK)”	Best Pacific Textile (Hong Kong) Limited (超盈紡織(香港)有限公司), a limited liability company incorporated in Hong Kong on 19 October 2010 and an indirect wholly-owned subsidiary of our Company
“BPT Holdings”	Best Pacific Textile Holdings Limited (超盈紡織控股有限公司), formerly known as Texbrilliant Holdings Limited, a limited liability company incorporated in the BVI on 11 September 2006 and a direct wholly-owned subsidiary of our Company
“BPT International”	Best Pacific Textile International Limited (超盈紡織國際有限公司), a limited liability company incorporated in the BVI on 22 September 2010 and an indirect wholly-owned subsidiary of our Company
“Business Day” or “business day”	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business to the public
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate

DEFINITIONS

“Capitalisation Issue”	the issue of Shares to be made upon capitalisation of the share premium account of our Company as referred to in the section headed “Statutory and General Information — A. Further information about our Company and our subsidiaries — Resolutions in writing of all Shareholders passed on 8 May 2014” in Appendix V to this prospectus
“Cayman Islands Companies Law”	the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual, joint individuals or a corporation
“CCASS Operational Procedures”	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“CCBI”, “Sole Global Coordinator” or “Sole Sponsor”	CCB International Capital Limited, a licensed corporation under the SFO permitted to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities (as defined under the SFO)
“China” or “the 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 and Macau Special Administration Region and Taiwan
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) which took effect from 3 March 2014, as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” and “our Company”	Best Pacific International Holdings Limited (超盈國際控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 14 June 2013
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and, in the context of this prospectus, means Grandview and Mr. Lu

DEFINITIONS

“DBS”	DBS Asia Capital Limited, a licensed corporation under the SFO permitted to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities (as defined under the SFO)
“Deed of Indemnity”	the deed of indemnity dated 8 May 2014 executed by our Controlling Shareholders in favour of our Company (for itself and as trustee for each of its subsidiaries), as further described under the section headed “Statutory and General Information — E. Other information — 1. Estate duty, tax and other indemnities” in this prospectus
“Deed of Non-Competition”	the deed of non-competition dated 8 May 2014 executed by our Controlling Shareholders in favour of our Company, as further described under the section headed “Relationship with our Controlling Shareholders — Deed of Non-competition” in this prospectus
“Deluxe Royal”	Deluxe Royal Limited (多御有限公司), a limited liability company incorporated in Hong Kong on 24 March 2009 and wholly-owned by Mr. Lu Huigen (盧惠根), Mr. Lu’s elder brother
“Director(s)”	the director(s) of our Company
“Dongguan BPT”	Dongguan Best Pacific Textile Company Limited* (東莞超盈紡織有限公司), a limited liability company established in the PRC on 24 February 2003 and an indirect wholly-owned subsidiary of our Company
“Dongguan NHE”	Dongguan New Horizon Elastic Fabric Company Limited* (東莞潤信彈性織物有限公司), a limited liability company established in the PRC on 18 May 2010 and an indirect wholly-owned subsidiary of our Company
“Dongguan Runda”	Dongguan Runda Elastic Weaving Company Limited* (東莞潤達彈性織造有限公司), a limited liability company established in the PRC on 14 August 1994 and subsequently de-registered in August 2013
“EIT”	the enterprise income tax of the PRC (中華人民共和國企業所得稅)
“EIT Law”	the Enterprise Income Tax Law of the PRC* (中華人民共和國企業所得稅法)
“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.
“Frost & Sullivan Report”	an independent market research report dated 24 January 2014 commissioned by our Company on the global lingerie materials market and was prepared by Frost & Sullivan
“GDP”	an acronym for gross domestic product
“Global Offering”	the Hong Kong Public Offering and the International Offering
“Grandview”	Grandview Capital Investment Limited, a limited liability company incorporated in the BVI on 28 September 2010 and wholly-owned by Mr. Lu

DEFINITIONS

“ GREEN application form(s)”	the application form(s) to be completed by White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited
“Group” or “our Group”	our Company and our subsidiaries at the relevant time, or where the context refers to any time prior to our Company becoming the holding company of our present subsidiaries, our present subsidiaries
“HK\$” or “Hong Kong dollars” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards promulgated by the Hong Kong Institute of Certified Public Accountants, which includes the Hong Kong Accounting Standards and their interpretations
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Offer Shares”	the 25,000,000 Shares being initially offered by our Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering subject to reallocation as described in the section headed “Structure of the Global Offering” in this prospectus
“Hong Kong Public Offering”	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 fee of 1%, SFC transaction levy of 0.003% 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” in this prospectus
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering whose names are set out in the section headed “Underwriting — Hong Kong Underwriters” in this prospectus
“Hong Kong Underwriting Agreement”	the underwriting agreement dated 12 May 2014 relating to the Hong Kong Public Offering entered into among our Company, our Controlling Shareholders and the Hong Kong Underwriters
“Independent Third Party(ies)”	an individual or a company which is not connected (as defined in the Listing Rules) to our Directors, substantial shareholders or chief executive of our Company or our subsidiaries and their respective associates

DEFINITIONS

“International Offer Shares”	the 225,000,000 Shares being initially offered by our Company for subscription at the Offer Price pursuant to the International Offering together, where relevant, with any additional Shares issued or sold pursuant to the exercise of the Over-allotment Option, the number of which is further subject to reallocation as described in the section headed “Structure of the Global Offering” in this prospectus
“International Offering”	the conditional offering of the International Offer Shares by the International Underwriters, as further described in the section headed “Structure of the Global Offering” in this prospectus
“International Underwriters”	the underwriters of the International Offering, who are expected to enter into the International Underwriting Agreement
“International Underwriting Agreement”	the underwriting agreement relating to the International Offering and to be entered into among our Company, our Controlling Shareholders, our executive Directors, the Sole Global Coordinator and the International Underwriters on or about 16 May 2014
“Joint Bookrunners” or “Joint Lead Managers”	CCBI and DBS
“Lakefront”	Lakefront Capital Investment Limited, a limited liability company incorporated in the BVI on 28 September 2010 and is wholly-owned by Mr. Wu
“Latest Practicable Date”	5 May 2014, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information contained in this prospectus
“Listing”	the listing of our Shares on the Main Board of the Stock Exchange
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange
“Listing Date”	the date, expected to be on or about 23 May 2014, on which dealings in our Shares first commence on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“M&A Provisions”	the Regulation on Mergers and Acquisitions of Domestic Companies by Foreign Investors* (關於外國投資者併購境內企業的規定)
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
“Memorandum” or “Memorandum of Association”	the amended and restated memorandum of association of our Company adopted on 8 May 2014 with immediate effect and as amended from time to time, a summary of which is set out in the section headed “Summary of the Constitution of our Company and Cayman Islands Companies Law” in Appendix IV to this prospectus

DEFINITIONS

“MOFCOM”	the Ministry of Commerce of the PRC (中華人民共和國商務部)
“Mr. Lu”	Mr. Lu Yuguang (盧煜光), our chairman and executive Director and one of our Controlling Shareholders
“Mr. Wu”	Mr. Wu Shaolun (吳少倫), our executive Director
“Mr. Zhang”	Mr. Zhang Haitao (張海濤), our executive Director and the chief executive officer of our Group
“New Horizon Elastic”	New Horizon Elastic Fabric (Hong Kong) Limited (潤達彈性織物(香港)有限公司), a limited liability company incorporated in Hong Kong on 19 October 2010 and an indirect wholly-owned subsidiary of our Company
“New Horizon Investment”	New Horizon Investment (Hong Kong) Limited (潤達投資(香港)有限公司), formerly known as New Horizon Elastic Fabric Co. Limited (潤達彈性織物有限公司), a limited liability company incorporated in Hong Kong on 9 October 2006 and an indirect wholly-owned subsidiary of our Company
“Offer Price”	the final price per Offer Share in Hong Kong dollars (exclusive of brokerage of 1%, SFC transaction levy of 0.003% and the Stock Exchange trading fee of 0.004%) of not more than HK\$2.50 and expected to be not less than HK\$1.85, such price to be agreed upon by us and the Sole Global Coordinator (on behalf of the Underwriters) on or before the Price Determination Date
“Offer Share(s)”	the Hong Kong Offer Share(s) and the International Offer Share(s) including, where relevant, any additional Shares allotted and issued pursuant to the exercise of the Over-allotment Option
“Over-allotment Option”	the option granted by our Company to the Sole Global Coordinator pursuant to which our Company may be required to allot and issue up to an aggregate of 37,500,000 additional Shares (in aggregate representing 15% of our Shares initially being offered under the Global Offering) to cover, among other things, over-allocation in the International Offering, details of which are described in the section headed “Structure of the Global Offering” in this prospectus
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“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 the Tenth National People’s Congress on 27 October 2005 and effective on 1 January 2006, as amended, supplemented or otherwise modified from time to time
“PRC government” or “State”	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

DEFINITIONS

“PRC Legal Adviser”	Jingtian & Gongcheng Law Firm, the legal adviser to our Company as to the laws of the PRC
“Pre-IPO Share Option Scheme”	the share option scheme conditionally approved and adopted by our Company on 8 May 2014, the principal terms of which are summarised under the section headed “Statutory and General Information — D. Pre-IPO Share Option Scheme and Share Option Scheme — (A) Share Option Scheme” in Appendix V to this prospectus
“predecessor Companies Ordinance”	the predecessor Companies Ordinance (Chapter 32 of the Laws of Hong Kong), which was in operation before the implementation of the Companies Ordinance
“Price Determination Date”	the date, expected to be on or about 16 May 2014 but in any event no later than 21 May 2014, on which the Offer Price is to be fixed by agreement between us and the Sole Global Coordinator (on behalf of the Underwriters) for the purpose of the Global Offering
“Regulation S”	Regulation S under the U.S. Securities Act
“Reorganisation”	the reorganisation arrangements undergone by us in preparation for the Listing which are more particularly described in the section headed “History, Reorganisation and Corporate Structure — Reorganisation” in this prospectus
“Rich Chest”	Rich Chest Industrial Limited (富綽實業有限公司), a limited liability company incorporated in Hong Kong on 13 January 1997 and beneficially owned by Mr. Lu
“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)
“SAFE Circular 75”	Circular of the SAFE on Foreign Exchange Issues Related to Equity Finance and Round-Trip Investments by Domestic Residents through Offshore Special Purpose Vehicles* promulgated on 21 October 2005 and effective from 1 November 2005 (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)
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share Option Scheme”	the share option scheme conditionally approved and adopted by our Company on 8 May 2014, the principal terms of which are summarised under the section headed “Statutory and General Information — D. Pre-IPO Share Option Scheme and Share Option Scheme — (B) The Share Option Scheme” in Appendix V to this prospectus

DEFINITIONS

“Share(s)”	ordinary share(s) with a nominal value of HK\$0.01 each in the share capital of our Company
“Shareholder(s)”	holder(s) of our Share(s) from time to time
“Stabilising Manager”	CCBI, as the stabilising manager of the Global Offering
“Stock Borrowing Agreement”	the stock borrowing agreement to be entered into between the Stabilising Manager and Grandview on or about the Price Determination Date
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed thereto in the Listing Rules
“Sunbrilliant”	Sunbrilliant Capital Investment Limited, a limited liability company incorporated in the BVI on 28 September 2010 and is wholly-owned by Mr. Zhang
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Track Record Period”	the years ended 31 December 2011, 2012 and 2013
“U.S. dollars” or “US\$”	United States dollars, the lawful currency of the United States
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“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
“we”, “us” or “our”	our Company or our Group (as the context may require)
“ White Form eIPO ”	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 www.eipo.com.hk
“ White Form eIPO Service Provider”	Computershare Hong Kong Investor Service Limited
“ YELLOW Application Form(s)”	the form(s) of application for the Hong Kong Offer Shares for use by the public who require such Hong Kong Public Offer Shares to be deposited directly into CCASS
“%”	percentage or per cent

DEFINITIONS

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

Unless otherwise specified, all references to any shareholdings in our Company are based on the assumption that the Over-allotment Option is not exercised.

Translated English names of Chinese laws and regulations, government authorities, departments, entities (including certain of our subsidiaries), institutions, natural persons, facilities, certificates, titles and the like included in this prospectus and for which no official English translation exists are unofficial translations for identification purposes only. The English translation of company names in Chinese which are marked with “*” is for identification purposes only. In the event of any inconsistency, the Chinese name prevails.

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains terms used in this prospectus in connection with our Company. The meanings given to these terms may differ from meanings given to them by others in the industry.

“elastic fabrics”	a synthetic fabric made from synthetic fibre such as nylon and spandex that stretches and is often used in lingerie production
“elastic webbing”	a main accessory for lingerie production made from synthetic fibres such as nylon and spandex and commonly used as shoulder straps, lingerie trims and waistbands
“ERP system”	enterprise resource planning system, an accounting-oriented information system for identifying and planning the enterprise-wide resources needed to take, make, distribute and account for customer orders
“greige fabric”	an unprocessed form of fabric just off the loom or knitting machine
“lace”	a fabric patterned with open holds in the work commonly used for decorative purposes for lingerie
“m.”	metres
“nylon”	a fibre known scientifically as polyamide fibre, which has high strength and resistance to wear and may be weaved or blended into fabrics
“OEM”	original equipment manufacturer, a manufacturer who coordinates the production of product according to orders and specifications provided by the customers
“spandex”	a fibre known scientifically as polyurethane fibre, which is exceptionally elastic and is usually used in the production of elastic fabrics
“sq. m.”	square metres

FORWARD-LOOKING STATEMENTS

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

- our business and operating strategies and plans for the development of existing and new businesses, our ability to implement such strategies and plans, and the expected timetable of such implementation;
- our financial condition;
- our dividend distribution plans;
- the prospects of our business and operations, including development plans for our existing and new businesses;
- the regulatory environment, as well as the general industry outlook, for the lingerie materials industry;
- further developments in, and competitive environment for, the lingerie materials industry; and
- the general economic trend of the PRC.

The words “aim”, “anticipate”, “believe”, “contemplate”, “continue”, “could”, “expect”, “going forward”, “intend”, “may”, “ought to”, “plan”, “potential”, “predict”, “project”, “schedule”, “seek”, “should”, “target”, “will”, “would” the negatives forms of these terms, as well as similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These statements reflect the current views of our management with respect to future events and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus. 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. Hence, should one or more of these risks or uncertainties materialise, or should underlying assumptions prove to be incorrect, our financial condition may be adversely affected and may vary materially from those described herein as anticipated, believed, estimated or expected. Accordingly, such statements are not a guarantee of future performance and you should not place undue reliance on such forward-looking information. We undertake no obligation to publicly update or revise any forward-looking statements contained in this prospectus, whether as a result of new information, future events or otherwise, except as required by applicable laws, rules and regulations. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

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

RISK FACTORS

Potential investors should consider carefully all the information set out in this prospectus and, in particular, should consider and evaluate the following risks in connection with an investment in our Company. Investors should also pay particular attention to the fact that we conduct a significant part of our operations in the PRC, which has a legal and regulatory environment that may differ in some respects from that of other countries. The business, financial condition, results of our operations or prospects could be adversely and materially affected by such risk and uncertainties. The trading price of our Shares could decline due to any of these risks and investors may lose all or part of their investment.

RISKS RELATING TO OUR BUSINESS

Our success depends on our own ability and our customers' ability to anticipate and respond in a timely manner to the rapid changes in consumer preferences, increasing demand for design and quality, and advances in technologies

Our success depends on the market perception and consumer acceptance of our products, which depends in large part, on our ability to anticipate and respond to different consumer preferences in a timely manner. This requires us to continuously create new products and modify existing products in order to attract and retain customers. Demand for our products may decrease and our business would suffer if we are unable to utilise new technologies and techniques to appropriately anticipate market opportunities or to create and modify products in response to market and consumer preferences in a timely manner.

Similarly, the demand for our products also depends on whether our customers are able to create products with sufficient market appeal. If they are unable to do so, the demand for their end-products may decrease, leading to a decrease in the size of subsequent product orders placed with us. As our success is directly affected by the performance of our customers, their inability to keep in pace with consumer preferences and increasing demand for quality and design may adversely affect our results of operations and financial condition. We cannot assure you that we or our customers will be able to anticipate changes in consumer preferences accurately or to respond in a timely manner.

We do not enter into long-term contracts with our customers, which exposes us to uncertainty and potential volatility with respect to our revenue from period to period

We do not enter into long-term contracts with our customers and we typically enter into individual purchase orders with them. Accordingly, the volume of our customers' purchase orders and our product mix may vary significantly from period to period, and it is difficult for us to accurately forecast future order quantities. We cannot assure you that any of our customers will continue to place purchase orders with us in the future at the same level as current or prior periods, or at all. Furthermore, the actual volume of our customers' purchase orders may be inconsistent with our expectations at the time we plan our expansion and expenditures. As a result, our results of operations may vary from period to period and may fluctuate significantly in the future.

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Our sales may be subject to seasonality and any comparison of our operating results between interim and annual results may not be meaningful

The supply and demand for lingerie materials and lingerie products change from season to season and from year to year due to evolving fashion trends as well as other factors. In general, we recorded higher sales during the second half of the year. Revenue generated in the second half of the year accounted for approximately 56%, 57% and 56% of the total revenue for the years ended 31 December 2011, 2012 and 2013, respectively. Our operating results may fluctuate from period to period due to changes in fashion trends, consumer demand and the seasonality of consumer spending on the end products manufactured with our lingerie materials. Therefore, any comparison of our operating results between interim and annual results may not be meaningful. Our results of operations are likely to continue to be affected by seasonality in the future.

We depend on a stable and adequate supply of raw materials and we do not enter into any long-term agreements with our suppliers, which exposes us to uncertainty and potential volatility with respect to our cost of raw materials

For the years ended 31 December 2011, 2012 and 2013, our cost of raw materials accounted for 66.6%, 62.0% and 59.9%, respectively, of our total cost of sales. As a result, our production volume and production costs depend on our ability to source quality materials at competitive prices. We have not entered into any long-term agreements with any of our current raw materials suppliers, nor have we entered into any hedging arrangements or transactions to reduce our exposure to fluctuations in raw material costs. If we experience an interruption, reduction or termination in supply of raw materials from our suppliers, or an increase in the cost of raw materials due to fluctuations in the price of nylon or spandex, we may not be able to obtain the supply of raw materials needed for the production of our products. Any increase in the prices of our major raw materials could result in additional costs to us and may lead to a reduction in our gross profit margin to the extent that we are unable to pass these increased costs on to our customers. As a result, our results of operations may vary from period to period and may fluctuate significantly in the future.

An increase in the cost of labour and labour shortage may adversely affect our business, financial condition, results of operations and growth prospects

We rely on our employees to carry out production and other operating activities. For the years ended 31 December 2011, 2012 and 2013, our cost of direct labour amounted to HK\$73.6 million, HK\$88.4 million and HK\$121.0 million, respectively, representing approximately 7.7%, 9.3% and 10.6% of our total cost of sales, respectively. The labour costs in the PRC have been gradually increasing in recent years and may continue to increase in the future. In addition, as the competition for skilled workers is increasingly intensive, we may need to enhance our remuneration packages and welfare to our employees in order to recruit and retain staff. We cannot assure you that our labour force will not demand an increase in their salaries. If we encounter such demands from our labour force or if we are unable to employ appropriate means to control our labour costs, or if we are unable to pass on such increase in our labour costs to our customers, our business, financial condition, results of operations and growth prospects may be adversely affected.

RISK FACTORS

We may be unable to obtain financing on favourable terms, or at all, to meet our funding requirements

We currently fund our operations and capital expenditure primarily from cash flow generated from our operating activities and bank loans. With an aim to continually expanding our business and keep our leading market position, we may need to obtain further financing from external sources to supplement our liquidity in the future. Our ability to obtain external financing in the future is subject to a number of uncertainties, including but not limited to the following: (i) our financial condition, results of operation, business reputation, cash flow and credit history; and (ii) the condition of the global and domestic financial markets. As at 31 March 2014, being the latest practicable date for the preparation of the indebtedness statement in this prospectus, our total borrowings amounted to HK\$761.1 million. However, we cannot assure you that we will be able to obtain bank loans or renew existing facilities in the future on favourable terms or at all. We also cannot assure you that we will not be affected by any fluctuation in the interest rates on external financing secured or to be secured to fund our operations and planned expansion. If adequate funding is not available to us on favourable terms, or at all, our finance costs may increase or we may not be able to continue our existing operations, develop or expand our business, and therefore, our business, financial condition and results of operations would be materially and adversely affected.

We had a net current liabilities position as at 31 December 2011 and 2012

As at 31 December 2011 and 2012, our current liabilities exceeded our current assets by HK\$403.7 million and HK\$365.3 million, respectively. We cannot assure you that we will not incur net current liabilities in the future. Please see more information regarding our net current liabilities in the section headed “Financial Information” in this prospectus. Our net current liabilities expose us to certain liquidity risks and could constrain our operational flexibility as well as adversely affect our ability to expand our business. Our future liquidity, the payment of trade and bills payables, the payment of other payables and accruals, and the repayment of outstanding debt obligations as and when they become due will primarily depend on our ability to maintain adequate cash inflows from operating activities and adequate external financing. If adequate funds are not available, whether on satisfactory terms or at all, we may be forced to delay or abandon our development and expansion plans, and our business, financial condition and results of operations may be adversely affected. In addition, the interest cost of such obligations could undermine our future profitability.

We have previously entered into certain bill financing transactions and such transactions were not in compliance with PRC laws

During the Track Record Period, our PRC subsidiary, Dongguan BPT, entered into certain non-compliant bill financing arrangements with certain PRC commercial banks that involved the issuance of bank bills without underlying transactions. For further details, please refer to the section headed “Business — Non-Compliant Bill Financing Arrangements” in this prospectus.

We have ceased entering into any further non-compliant bill financing transactions since 16 July 2012 and started to implement measures to strengthen our internal control measures since January 2013. We have settled all related bills by 16 January 2013. However, we cannot assure you that the relevant regulatory authorities will not impose penalties and/or fines on Dongguan BPT retrospectively for the previous non-compliant bill financing transactions. Any such penalties and/or fines could adversely affect our business, financial condition and results of operations.

RISK FACTORS

We are subject to risks of fluctuations in the exchange rate between the RMB and Hong Kong or U.S. dollars

During the Track Record Period, while our expenses and costs are mainly denominated in RMB, a substantial portion, approximately over 65%, of our revenue was denominated in Hong Kong dollars and U.S. dollars. Any significant fluctuations in the exchange rates between RMB and Hong Kong or U.S. dollars may materially and adversely affect our results of operations. Any future exchange rate volatility relating to RMB may give risk to uncertainties in the value of net assets, profits and dividends. For the years ended 31 December 2011, 2012 and 2013, our net foreign exchange loss amounted to HK\$14.1 million, HK\$2.8 million and HK\$4.4 million, respectively.

In light of our significant RMB-denominated expenses and our Hong Kong and U.S. dollar-denominated receivables from our customers, we entered into certain foreign-exchange contracts to pay U.S. dollars and receive RMB. For further details on the foreign exchange contracts, please refer to the section headed “Business — Foreign Exchange Contracts” in this prospectus. We recognised fair value (losses)/gains on derivative financial instruments of HK\$(0.7) million, HK\$7.3 million and HK\$4.0 million for the years ended 31 December 2011, 2012 and 2013, respectively and the fair value of these foreign exchange contracts were HK\$0.8 million of financial liabilities, HK\$3.6 million and HK\$1.5 million of financial assets as at 31 December 2011, 2012 and 2013, respectively. We cannot assure you that such transactions will be risk-free, and any loss resulting from such transactions may materially and adversely affect our financial condition and results of operations.

Any change or discontinuation of preferential tax treatments we currently enjoy would increase our tax liability, thereby adversely affecting our business and results of operations

Dongguan BPT enjoyed preferential tax treatments granted by PRC government authorities during the Track Record Period and as at the Latest Practicable Date. For the years ended 31 December 2011 and 2012, the applicable tax rate for Dongguan BPT was 12.5% pursuant to the relevant laws and regulations in the PRC. After the expiration of our preferential tax treatment of 12.5% in 2013, we began to enjoy the preferential tax treatments associated with our “High and New Technology Enterprise” status, which was granted to us in 2010 and 2013 with a validity period of three years. According to the applicable PRC laws and regulations, during the period of the grant of such status, Dongguan BPT is entitled to the reduced enterprise income tax rate of 15% upon the registration with the relevant tax authority, and within three months prior to the expiration of the validity period of the “High and New Technology” certificate, we need to apply for the renewal of such status. We cannot assure you that the PRC governmental policies on preferential tax treatments will not change or that the current preferential tax treatments we enjoy or will be entitled to enjoy will not be cancelled. We cannot guarantee that we will continue to be accredited as “High and New Technology Enterprise” upon expiration of the relevant certificate. If any of such change, cancellation or discontinuation of preferential tax treatment occurs, the resulting increase in our tax liability would adversely affect our business and results of operations.

Our plan to expand our lace segment may not be successful

To enhance our growth, we plan to expand and diversify our products by introducing new lingerie materials. We launched our lace segment in the second half of 2012. Revenue from our lace segment represented nil, 0.1% and 1.2% of our total revenue for the years ended 31 December 2011, 2012 and 2013, respectively.

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The launch and development of new products requires considerable time and financial commitment that may impose a substantial constrain on our ability to manage our existing business and operations. We may face inherent risks and uncertainties such as misjudgment of levels of demand and the prices to be charged for the new products. We may also lack sufficient experience in the operations of new business segments. Failure of any of our new products may lead to wasted resources and damage our reputation and could materially and adversely affect our business, financial conditions and results of operations.

Our plan to expand our production facilities may not be successful or such expansion may result in significant increase in our cost of sales, depreciation and may affect our operations, financial conditions and our revenue and profit may not increase proportionally to our increased capacity

To support our growing operations, we will further expand our existing production facilities by constructing our ninth production facility, the capital expenditure of which is estimated to be approximately HK\$101.3 million, of which HK\$1.3 million was incurred for the year ended 31 December 2013 and HK\$100.0 million will be incurred in the year ending 31 December 2015. Upon its expected completion by the end of 2015, the ninth production facility is expected to increase the gross floor area of our production facilities by approximately 34,858.0 sq. m.. Our expansion plans may involve the following risks (i) our actual production volume may vary depending on the demand and purchase orders for our products which in turn may be affected by market trend, customers' preferences or other factors which are beyond our control. The demand for our products and revenue to be generated may not increase in line with our increase in production capacity; (ii) we expect to incur increased costs, such as direct labour costs and depreciation costs, in connection with the expansion of our ninth production facility; (iii) we cannot assure you that our expansion plans will be successfully implemented without delay or at all. Any failure or delay in implementing any part of these plans may result in a lack of production capacity to support our growth and market expansion, which in turn could materially and adversely affect our business, financial condition and results of operations.

We are dependent on the contribution of our key management personnel

Our expansion plans and future success depends, to a significant extent, on the continuous service of key members of our management team. If we were to lose the services of any of the existing key management members without a suitable replacement, or were unable to attract new qualified members with suitable experience to join our management team as we continue to grow, there could be a negative impact on the operations and business of our Group. Our chairman and executive Director, Mr. Lu, and our executive Directors, Mr. Zhang and Mr. Wu, possess extensive experience in the textile industry and have made significant contributions to the development of our Group. We may not be able to attract or retain highly skilled employees and key personnel. The competition for experienced personnel in the PRC may increase our labour costs, which would in turn increase our costs of operations and affect our profitability.

Our rights to use certain of our leased premises could be challenged and we may be subject to fines as a result of unregistered leases

Under PRC laws, all lease agreements are required to be registered with the relevant government authorities. However, as at the Latest Practicable Date, we leased eight properties, among which the lessors of five leased properties are not able to provide valid property ownership certificates and other relevant documents (one of which was not able to provide valid property

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ownership certificates and other relevant documents for a portion of the property). As a result, as advised by our PRC Legal Adviser, the relevant leasing arrangements of these leased properties may be invalid and we may be forced to vacate the properties in the event that the lease agreements are deemed invalid. In addition, two of such leases were not registered with the relevant PRC authorities. As advised by our PRC Legal Adviser, as the lessor, we may be subject to fines ranging from RMB1,000 to RMB10,000 for each non-registered lease and the maximum penalty for our failure to register the two leases with the relevant PRC authorities would be approximately RMB20,000.

We rely on the stable operation of our production facilities and cannot assure you that our production would be free of disruption in the future

Our revenue is dependent on the continued operation of our production facilities. Our facilities are subject to inspection, maintenance and machinery and part replacement during which production capacity may be affected. In such events, our financial resources will need to be diverted to the servicing and replacement of machinery. We may require maintenance services or purchase equipment from external vendors who may or may not provide timely services, equipment or parts. Further, our production process is subject to risks beyond our control including, amongst others, fire, breakdown, failure or substandard performance of our equipment and machinery, power shortage, labour strikes, natural disasters and any interruption in our operations as a result of any failure to comply with all applicable laws, regulations and standards in the PRC. We have not encountered any significant breakdown of our machinery during the Track Record Period, we cannot assure you that our production would be free of disruption in the future. Frequent or prolonged occurrence of any of the aforesaid events may have a material adverse effect on our business, financial condition and results of operation.

Our business and reputation may be affected by product liability claims, litigation, complaints or adverse publicity

We believe that our reputation for product quality, timely delivery and customer service has contributed significantly to the success of our business. Defects in our products and failure to meet delivery schedules would result in damage to our reputation and business relationships and result in decreased sales and product liability claims and litigation. Should there be a material increase in the number of product liability claims, we may incur significant legal costs regardless of the outcome of any claim of alleged defect. If we face any product liability claims, our business, financial condition and results of operations may be materially and adversely affected.

Lingerie brand owners have become increasingly sensitive about their reputation with respect to environmental and social responsibility. Accordingly, lingerie brand owners may require their suppliers, including us, to fulfil certain environmental standards, and/or corporate social responsibility standards set forth by governmental or non-governmental labour organisations. In the event that we fail to fulfil these standards or if we are publicly perceived to have failed to fulfil those standards or if we are otherwise publicly associated with poor environmental or social responsibility standards, it would affect our business relationships with customers which could adversely affect our business, financial condition and results of operations and profitability.

Our insurance coverage may not be sufficient to cover the risks related to our operations and losses

We maintain commercial insurance for our production facilities, inventory and employees. Our operations are subject to hazards and risks associated with our manufacturing operations,

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which may cause significant harm to persons or damage to property. We can give no assurance that our operations will be free of accidents or that our insurance policies will be adequate to cover all losses incurred. Losses incurred and associated liabilities may have a material adverse effect on our results of operations if such losses or liabilities are not covered by our insurance policies.

We could be involved in intellectual property disputes

The production and the sale of our products may involve the use of intellectual property rights. We seek to protect intellectual property rights by relying on the laws and regulations such as patent law of the PRC.

It is possible that third parties may use our intellectual property without our authorisation. The steps we have taken may be inadequate to prevent the misappropriation of our proprietary technology and design. Any unauthorised use or infringement of our intellectual property rights may have an adverse impact on our business. If we have to resort to litigation to enforce our intellectual property rights, we may incur significant costs.

On the other hand, we cannot assure you that infringement claims against us from third parties will not incur. Should any infringement claims be initiated against us, we may incur significant legal fees to defend our rights and interests or be required to pay substantial damages, which may materially and adversely affect our business, financial condition and results of operations.

We are subject to certain risks relating to the delivery of our products

We rely on third-party logistics service providers for the delivery of our products to customers located outside the Guangdong Province, the PRC (except Hong Kong). Such delivery services could be suspended and thus interrupt the supply of our products if unforeseen events occur which are beyond our control, such as poor handling and damage to our finished products, transportation bottlenecks, natural disasters or labour strikes. Our market reputation and profitability could be materially and adversely affected if there are such delayed deliveries.

Extraordinary events such as epidemics, natural disasters, political unrest and terrorist attacks could adversely affect our production and the timely delivery of our products

Certain regions in the world, including where our production facilities are located, are susceptible to epidemics such as Severe Acute Respiratory Syndrome, or SARS, avian influenza or swine influenza. Past occurrences of epidemics, depending on their scale of occurrence, have caused different degrees of damage to the national and local economies in various countries and regions. A recurrence of SARS, avian influenza or swine influenza or an outbreak of any other epidemics, especially in the cities where we have operations, may result in material disruptions to our sales, which in turn could materially and adversely affect our financial condition and results of operations.

Other extraordinary events, including political unrest, terrorist attacks and natural disasters such as earthquakes, snowstorms and hurricanes, could significantly affect our operations if they occur at a location near to that of our production facilities or our suppliers. Such events may cause personnel casualties, loss of inventory, work disruptions and delays and damages to our production facilities. If we are not able to react quickly upon the occurrence of these types of extraordinary events and our operations are disrupted significantly, and the insurance policies we maintained for

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the contracts are not adequate to cover all the losses, our business, financial condition and results of operations may be materially and adversely affected.

RISKS RELATING TO OUR INDUSTRY

Our industry is affected by general economic and market conditions

As our products are used to manufacture lingerie products which are ultimately sold to consumers in the retail market, any drop in consumer spending power could lead to a drop in the amount of purchases from our customers. According to the Frost & Sullivan Report, the development and growth of the global lingerie materials market is highly related to the development of the global retail market for lingerie of which the U.S. and European Union are the two major retail markets. Furthermore, a portion of our products was used to manufacture products for PRC consumers. As such, periods of relatively slow economic growth, recession or public perception that a slowdown or recession in these markets may decrease the demand for our products thereby adversely affecting our sales and profitability and may in turn adversely affect our business, financial condition and results of operations.

We operate in a highly competitive industry and we may lose market share if we do not compete successfully

The global lingerie materials business is highly fragmented and competitive, with the top five players in aggregate accounting for only approximately 9.0% of the market share by sales revenue in 2012. We compete with both domestic and foreign lingerie material manufacturers, including large, vertically-integrated lingerie material manufacturers and small manufacturers. These companies may be larger or have greater financial resources than us.

The principal competitive factors that influence our customers' purchasing choices include product quality, price and research and development capabilities. The importance of these factors is determined by the needs of particular customers and the characteristics of particular products. In addition, we are exposed to the risk that companies, whether smaller, more specialised manufacturers or multinationals with greater financial resources, may enter our market in the future. Furthermore, in order to gain market share, our competitors may price their products aggressively, resulting in more intense competition. Increased competition may result in price reduction, reduced margins and loss of market share, any of which could materially and adversely affect our results of operations.

We are subject to safety and health laws and regulations in the PRC, and any failure to comply could adversely affect our operations

We are required to comply with the applicable occupational safety and health standards and requirements in relation to our production processes. Furthermore, under the PRC Labour Law* (中華人民共和國勞動法) and the Law of the PRC on the Prevention and Treatment of Occupational Diseases* (中華人民共和國職業病防治法), we must ensure that our facilities comply with the work safety and health standards and requirements for employees. Any failure to meet the relevant standards and requirements on production safety and labour safety could subject us to warnings from the relevant regulatory authorities, governmental orders to rectify such non-compliance within a specified period of time and fines by the relevant regulatory authorities. We may also be required to suspend our production temporarily or cease our operations permanently for significant non-compliance, which may have a material adverse effect on our reputation, business, financial condition and results of operations.

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Any failure to comply with environmental regulations would expose us to penalties, fines, suspensions or actions in other forms

Our operations are subject to the environmental protection laws and regulations promulgated by the PRC government authorities. These laws and regulations require us to adopt effective measures to control and properly dispose of waste water and other environmental pollutants. We could be exposed to penalties, fines, suspensions or actions in other forms if we fail to comply with these laws and regulations. In 2012, we expanded our production facility without first obtaining the relevant approval for our sewage treatment facility. We received an order to rectify our sewage treatment facility on 4 July 2012 and a notice for a fine of RMB90,000 on 23 November 2012 from the Dongguan Environmental Protection Bureau (東莞市環境保護局).

Furthermore, the environmental laws and regulations in China may be amended from time to time and changes in those laws and regulations may cause us to incur additional costs in order to comply with the more stringent rules. We cannot assure you that we would be able to support changes in technical requirements which could be required as a result of changes to environmental laws and regulations or that our operations will always be in compliance with applicable environmental regulations. In the event that changes to existing laws and regulations require us to incur additional compliance costs or require costly changes to our production process, the production costs of our Group could increase and we may lose our business with certain customers, which will decrease our market share and thereby materially and adversely affect our business, financial condition and results of operations.

RISKS RELATING TO THE PRC

A deterioration of overall market conditions and credit availability from lending institutions in the PRC may significantly affect our business, financial condition and results of operating

Our ability to successfully expand our business operations in the PRC depends on the overall macroeconomic conditions and other market conditions of the PRC and on the credit availability from lending institutions. Concerned with inflation and over-heating of the PRC economy, the PRC government has taken a series of measures in recent years, including continuously increasing the deposit reserve ratio, as a result of which the commercial banks in the PRC have increased interest rates, reducing the credit availability in the PRC. Stricter lending policies in the PRC may affect our ability to obtain external financing, which may reduce our ability to implement our expansion strategies. We cannot assure you that the PRC government will not implement any additional measures to tighten lending standards or that, if any such measure is implemented, it will materially and adversely affect our future business, financial condition, results of operations or profitability.

The political, economic and social conditions in the PRC are experiencing changes and reforms, which may materially and adversely affect our business, growth strategies, financial condition and results of operating

For the past three decades, the PRC government has implemented economic reform and measures emphasising the utilisation of market forces in the development of the PRC economy. Although we believe these economic reforms and measures will have a positive effect on the PRC's overall and long-term development, the resulting changes may also have a material and adverse effect on our current or future business, financial condition or results of operations. Despite these economic reforms and measures, the PRC government continues to play a significant role in regulating industrial development, the allocation of natural resources, production, pricing

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and management of currency, and we cannot assure you that the PRC government will continue to pursue a policy of economic reform or that the current direction of reform will continue.

Demand for our products and our business, financial condition and results of operations may be materially and adversely affected by the following factors:

- political instability or changes in social conditions in the PRC;
- changes in laws, regulations and administrative directives;
- measures which may be introduced to control inflation or deflation;
- changes in the rate or method of taxation;
- imposition of additional restrictions on currency conversion and remittances abroad; and
- reduction in tariff protection and other import and export restrictions.

These factors are affected by a number of variables which are beyond our control.

We face uncertainties with respect to indirect transfers of equity interests in PRC resident enterprises by their non-PRC holding companies

Pursuant to the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises* (關於加強非居民企業股權轉讓所得企業所得稅管理的通知) (“**SAT Circular 698**”), issued by the State Administration of Taxation (“**SAT**”) on 10 December 2009 with retroactive effect from 1 January 2008, where a foreign investor transfers its indirect equity interest in a PRC resident enterprise by disposing of its equity interests in an overseas holding company, or an “Indirect Transfer”, and such overseas holding company is located in a tax jurisdiction that: (i) has an effective tax rate less than 12.5% or (ii) does not tax foreign income of its residents, the foreign investor shall report to the competent tax authority of the PRC resident enterprise this Indirect Transfer. The PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of avoiding PRC tax. As a result, gains derived from such Indirect Transfer may be subject to PRC withholding tax at a rate of up to 10%. SAT Circular 698 also provides that, where a non-PRC resident enterprise transfers its equity interests in a PRC resident enterprise to its related parties at a price lower than the fair market value, the relevant tax authority has the power to make a reasonable adjustment to the taxable income of the transaction.

There is uncertainty as to the application of SAT Circular 698. For example, while the term “Indirect Transfer” is not clearly defined, it is understood that the relevant PRC tax authorities have jurisdiction regarding requests for information over a wide range of foreign entities having no direct contact with China. Moreover, the relevant authority has not yet promulgated any formal provisions or formally declared or stated how to calculate the effective tax rates in foreign tax jurisdictions. In addition, there are not any formal declarations with regard to how to determine whether a foreign investor has adopted an abusive arrangement in order to avoid PRC tax. As a result, we may become at risk of being taxed under SAT Circular 698 in the future and we may be required to expend valuable resources to comply with SAT Circular 698 or to establish that we

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should not be taxed under SAT Circular 698, which may have a material adverse effect on our financial condition and results of operations.

Restrictions on foreign exchange and payments of dividends may limit our operating subsidiaries' ability to remit payments to us

At present, the Renminbi is not freely convertible to other currencies, and conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. Under current PRC laws and regulations, payments of current account items, including profit distributions, interest payments and operation-related expenditures, may be made in foreign currencies without prior approval from SAFE, but are subject to procedural requirements including presenting relevant documentary evidence of such transactions and conducting such transactions at designated foreign exchange banks within China who have the licenses to carry out foreign exchange business. Strict foreign exchange control continues to apply to capital account transactions. These transactions such as repayment of loan principal, distribution of return on direct capital investment and investment in negotiable instruments must be approved by or registered with SAFE. Under our current structure, our source of funds primarily consists of dividend payments from our subsidiaries in the PRC. We cannot assure you that we will be able to meet all of our foreign currency obligations or to remit profits out of China. If future changes in relevant regulations were to place restrictions on the ability of our subsidiaries to remit dividend payments to us, our liquidity and ability to satisfy our third-party payment obligations and our ability to distribute dividends in respect of our Shares could be materially and adversely affected.

We may be treated as a PRC tax resident enterprise under the EIT Law, which may subject us to PRC income taxes on our worldwide income

We are a holding company incorporated under the laws of the Cayman Islands. Under the EIT Law and its implementation rules, enterprises organised under the laws of jurisdictions outside the PRC with their “de facto management bodies” located within the PRC may be considered “PRC tax resident enterprises” and be subject to a uniform 25% PRC income tax on their worldwide income.

The implementation rules to the EIT Law define the term “de facto management body” as body that has material and overall management and control over the manufacturing and business operations, personnel and human resources, finances and treasury, and acquisition and disposition of properties and other assets of an enterprise. In April 2009, the State Administration of Taxation of the PRC issued a circular on “Identifying Chinese-Controlled Offshore Enterprises as Chinese Resident Enterprises in accordance with Criteria for Determining Place of Effective Management”, which sets out certain criteria for specifying what constitutes a “de facto management body” in respect of enterprises that are established offshore by PRC enterprises. However, no such criteria are provided in the circular or other publications in respect of enterprises established offshore by private individuals or foreign enterprises like us. As a result, it is unclear whether we will be deemed to be a “PRC tax resident enterprise” for the purpose of the EIT Law even though substantially all of the operational management of our Company is currently based in the PRC. If we were treated as “PRC tax resident enterprise”, we will be subject to PRC income taxes on our worldwide income, which may adversely affect our profitability and distributable profit to Shareholders.

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Dividends from our PRC subsidiaries and dividends on our Shares and gains on the sales of our Shares may be subject to PRC withholding taxes

We are a Cayman Islands holding company and all of our income is ultimately derived from dividends that are paid by our subsidiaries in the PRC. Under the EIT Law and its implementation rules, dividends payable to foreign enterprise investors that are non-resident enterprises that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant income is not effectively connected with the establishment or place are subject to a 10% withholding tax since 1 January 2008, which may be reduced if a foreign enterprise investor is eligible for the benefits of a tax treaty with the PRC that provides for a different withholding arrangement. Pursuant to a tax arrangement between the PRC and Hong Kong, companies incorporated in Hong Kong may be subject to withholding taxes at a rate of 5% on dividends they receive from their PRC subsidiaries of which they directly hold at least 25% equity interests. As dividends from our PRC subsidiaries will be paid to us through our Hong Kong subsidiaries that own 100% equity interests in our PRC subsidiaries, those dividends may be subject to a withholding tax at the rate of 5%. However, 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)) (“**Administrative Measures**”) which was promulgated on 24 August 2009 and came into force on 1 October 2009, where a non-resident enterprise (as defined under the EIT Law) 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 arrangements. Furthermore, on 27 October 2009, the State Administration of Taxation, or the SAT, promulgated the Circular on How to Understand and Recognise the “Beneficial Owner” in Tax Treaties* (“**Circular 601**”). Circular 601 clarifies that a beneficial owner is a person having actual operations and this person could be an individual, a company or any other entity. Circular 601 expressly excludes a “conduit company” that is established for the purposes of tax avoidance and dividend transfers and is not engaged in actual operations such as manufacturing, sales and management, from being a beneficial owner. It is still unclear how Circular 601 is being implemented in practice by the SAT or its local counterparts. If our Hong Kong subsidiaries are not deemed to be beneficial owners of our PRC subsidiaries, those dividends may be subject to withholding tax at the rate of 10%, instead of 5%.

Moreover, under the EIT Law and its implementation rules, as discussed above, we may in the future be treated as a PRC tax resident enterprise by the PRC taxation authorities. In that case, dividends on our Shares and capital gains from sales of our Shares realised by foreign shareholders may be regarded as income from “sources within the PRC” and may be subject to a 10% withholding tax, subject to any reduction by an applicable tax treaty. If foreign shareholders are required to pay PRC withholding tax on dividends on our Shares or capital gains from any sales of our Shares, the value of the investment in our Shares may be materially and adversely affected.

It may be difficult to effect service of process on, or to enforce judgments obtained outside the PRC against, us, our Directors or our senior management members who reside in the PRC

It may be difficult to effect service of process on, or to enforce judgments obtained outside the PRC against, us, our Directors or our senior management members who reside in the PRC. Substantially all of our Directors and senior management members reside in the PRC and substantially all of our assets and the assets of such persons are located in the PRC. Accordingly, it may be difficult for investors to effect service of process on any of these persons or to enforce judgments obtained outside of the PRC against us or any of these persons, as the PRC does not

RISK FACTORS

have treaties providing for the reciprocal recognition and enforcement of judgments awarded by courts in many developed countries, including the United States, the United Kingdom, Japan and the Cayman Islands. As a result, the recognition and enforcement in the PRC of judgments of a court in any of these jurisdictions may be difficult or even impossible.

The PRC legal system has inherent uncertainties regarding the interpretation and enforcement of PRC laws and regulations which could limit the legal protections available to investors

Substantially all of our operations are conducted in the PRC. The PRC legal system is a civil law system based on written statutes, and prior court decisions can only be cited as reference and have almost no precedential value and because of the limited volume of published cases and their non-binding nature, the interpretation and enforcement of these laws, rules and regulations involve some degree of uncertainty, which may lead to additional restrictions and uncertainty for our business and uncertainty with respect to the outcome of any legal action investors may take against us in the PRC. In addition, we cannot predict the effect of future developments in the PRC legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the pre-emption of local regulations by national laws. Any changes to such laws and regulations may materially increase our costs and regulatory exposure in complying with them.

RISKS RELATING TO THE GLOBAL OFFERING AND OUR SHARES

There has been no prior public market for our shares and an active trading market for our Shares may not develop

Prior to the Global Offering, there has been no public market for our Shares. The initial issue price range for our Shares was the result of negotiations among us, the Sole Global Coordinator on behalf of the International Underwriter and the Sole Sponsor on behalf of the Hong Kong Underwriters and the Offer Price may differ significantly from the market price for our Shares following the Global Offering. We have applied for listing of and permission to deal in our Shares on the Stock Exchange. We cannot assure you the Global Offering will result in the development of an active, liquid public trading market for our Shares. Factors such as variations in our revenue, earnings and cash flows or any other developments may affect the volume and price at which our Shares will be traded.

The liquidity and market prices of our Shares following this Global Offering may be volatile. The price at which our Shares will trade after the Global Offering will be determined by the marketplace, which may be influenced by many factors, some of which are beyond our control, including:

- our financial results;
- changes in securities analysts' estimates, if any, of our financial performance;
- the history of, and the prospects for, us and the industry in which we compete;
- an assessment of our management, our past and present operations, and the prospects for our business;
- timing of, our future revenue and cost structures such as the views of independent research analysts, if any;

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- the present state of our development;
- the valuation of publicly traded companies that are engaged in business activities similar to ours; and
- general market sentiment regarding the lingerie industries.

In addition, the Stock Exchange has from time to time experienced significant price and volume fluctuations that have affected the market prices for the securities of companies quoted on the Stock Exchange. As a result, investors in our Shares may experience volatility in the market price of their Shares and a decrease in the value of their Shares regardless of our operating performance or prospects.

Potential investors will experience immediate and substantial dilution as a result of the Global Offering and could face future dilution as a result of future financings

Potential investors will pay a price per Share that substantially exceeds the per Share value of our net tangible assets and will therefore experience immediate dilution when potential investors purchase the Offer Shares in the Global Offering. As a result, if we were to distribute our net tangible assets to the Shareholders immediately following the Global Offering, potential investors would receive less than the amount they paid for their Shares.

We believe that our current cash and cash equivalents, anticipated cash flows from operations and the proceeds from this offering will be sufficient to meet our anticipated cash needs for the foreseeable future. We may, however, require additional cash resources due to changed business conditions or other future developments relating to our existing operations, acquisitions or strategic partnerships. If additional funds are raised through the issuance of new equity or equity-linked securities of us other than on a pro rata basis to existing Shareholders, the percentage ownership of such Shareholders in us may be reduced, and such new securities may confer rights and privileges that take priority over those conferred by our Shares. Alternatively, if we meet such funding requirements by way of additional debt financing, we may have restrictions placed on us through such debt financing arrangements which may:

- limit our ability to pay dividends or require us to seek consent prior to the payment of dividends;
- require us to dedicate a substantial portion of our cash flows from operations to service our debt, thereby reducing the availability of our cash flows to fund capital expenditures, working capital requirements and other general corporate needs; and
- limit our flexibility in planning for, or reacting to, changes in our business and our industry.

Dividends paid in the past may not be indicative of the amounts of future dividend payments or our future dividend policy

Historical dividend distributions by our subsidiaries are not indicative of our future distribution policy and we give no assurance that dividends of similar amounts or at similar rates will be paid in the future. Any future dividend declaration and distribution by us will be at the discretion of our Directors and will depend on our future operations and earnings, capital

RISK FACTORS

requirements and surplus, general financial condition, contractual restrictions and other factors that our Directors deem relevant. Any declaration and payment as well as the amount of dividends will also be subject to our constitutional documents and the Companies Law, as well as (where required) the approval of Shareholders. In addition, our future dividend payments will depend upon the availability of dividends received from our subsidiaries in the PRC, which may be subject to withholding taxes described in the paragraph headed “— Risks Relating to the PRC — Dividends from our PRC subsidiaries and dividends on our Shares and gains on the sales of our Shares may be subject to PRC withholding taxes” in this section.

The costs of the options were or may to be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme may adversely affect our results of operations and any exercise of the options granted may result in dilution to our Shareholders

We have granted certain options to subscribe for an aggregate of 26,470,000 Shares at an exercise price equal to 50% of the final Offer Price to 27 grantees under the Pre-IPO Share Option Scheme. Such options if exercised in full will represent approximately 2.65% of our issued share capital immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised and taking no account of the options which were granted under the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme). We have also adopted the Share Option Scheme pursuant to which we will in the future grant to employees options to subscribe for Shares.

The fair value of the options at the date of which they are granted with reference to the valuer’s valuation under the Pre-IPO Share Option Scheme and the Share Option Scheme will be charged as share-based compensation which may have a negative effect on our results of operations. It is expected that a charge in relation to the options granted under the Pre-IPO Share Option Scheme in the amount of not more than HK\$8.8 million will be recognised as expenses in the combined statement of profit or loss information of our Group for the year ending 31 December 2014. Issuance of Shares for the purpose of satisfying any award made under the Pre-IPO Share Option Scheme and the Share Option Scheme will also increase the number of Shares in issue after such issuance, and thus may result in the dilution to the percentage of ownership of the Shareholders, the earnings per Share and the net asset value per Share.

Details of the Pre-IPO Share Option Scheme and the Share Option Scheme and the options granted and to be granted thereunder are set out in the section headed “Statutory and General Information — D. Pre-IPO Share Option Scheme and Share Option Scheme” in Appendix V to this prospectus.

Sale, or perceived sale, of substantial amounts of our Shares in the public market could adversely affect the prevailing market price of our Shares

Sales of substantial amounts of our Shares in the public market after the completion of the Global Offering, or the perception that these sales could occur, could adversely affect the market price of our Shares and could materially impair our future ability to raise capital through offerings of our Shares.

The Shares held by our Controlling Shareholders, representing 63.75% of the issued share capital of our Company immediately after the completion of the Global Offering (assuming the Over-allotment Option is not exercised and taking no account of the options which were granted under the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme) are subject to lock-up. They may dispose of these Shares following the expiration of the lock-up period, or any Share they may come to own in the future. Our Directors cannot predict what effect, if any, significant future sales or the perception of these sales may have on the market price of our Shares, and they could materially and adversely affect the prevailing market price of our Shares.

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You may experience difficulties in protecting your interests because we are a Cayman Islands company and the laws of the Cayman Islands for minority shareholders protection may be different from those under the laws of Hong Kong or certain other jurisdictions

We are a Cayman Islands company and our corporate affairs are governed by the Cayman Islands Companies Law and other laws of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ from those under statutes and judicial precedent in existence in Hong Kong and other jurisdictions. Such differences may mean that the remedies available to our minority shareholders may be different from those they would have under the laws of Hong Kong or other jurisdictions. Please refer to the section headed “Summary of the Constitution of our Company and Cayman Islands Companies Law — Cayman Islands companies law” in Appendix IV to this prospectus for further information.

We cannot guarantee the accuracy of certain facts, forecasts and other statistics with respect to the PRC, the PRC and global economy, and the PRC and global lingerie industry contained in this prospectus

Certain facts, forecasts and other statistics in this prospectus relating to the PRC, the PRC and global economy, individual markets within the PRC, and the PRC and global lingerie industry have been derived from official government publications and we can neither guarantee the quality nor the reliability of such source materials. We believe that the sources of this 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 our Company, the Sole Global Coordinator, the Sole Sponsor or any of the Underwriters, any of their respective directors and advisers or any other persons or parties involved in the Global Offering and no representation is given as to its accuracy. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such facts, forecasts or statistics.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for the Listing, we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules.

MANAGEMENT PRESENCE

Rule 8.12 of the Listing Rules requires that a new applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong. This normally means that at least two of its executive directors must ordinarily reside in Hong Kong.

Since the business, operations and production facilities of our Group are primarily located, managed and conducted in the PRC, there is no business or practical need for our Company to appoint executive Directors in Hong Kong. All of the executive Directors and the majority of our Group's senior management are, and will continue to be, based in the PRC. Substantially all of our Group's assets are based in the PRC. Our Company does not, and does not contemplate in the foreseeable future that it will have a sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules.

An application for a waiver from strict compliance with the requirement to have a sufficient management presence in Hong Kong under Rule 8.12 of the Listing Rules has been made to the Stock Exchange and such waiver has been granted by the Stock Exchange.

The arrangements proposed by our Company for maintaining at all times regular, adequate and effective communication with the Stock Exchange for the purposes of Rule 8.12 of the Listing Rules and in accordance with the Guidance Letter HKEX-GL9-09 of the Stock Exchange are as follows:

- (a) our Company has appointed and will continue to maintain two authorised representatives pursuant to Rule 3.05 of the Listing Rules who will act as our Company's principal channel of communication with the Stock Exchange. The two authorised representatives appointed are Mr. Zhang (an executive Director) and Mr. Chan Yiu Sing (the company secretary of our Company). The authorised representatives will have the means to contact all our Directors promptly at all times as and when the Stock Exchange wishes to contact our Directors on any matters. They will provide their usual contact details to the Stock Exchange and will be readily contactable by the Stock Exchange if necessary to deal with enquiries from the Stock Exchange from time to time. Each of the two authorised representatives is authorised to communicate on behalf of our Company with the Stock Exchange. Our Company has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance and Mr. Chan Yiu Sing has also been authorised to accept service of legal process and notices in Hong Kong on behalf of our Company. Our Company will inform the Stock Exchange promptly if there is any change in our authorised representatives or the contact details of any of them;
- (b) each Director who does not ordinarily reside in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and will be able to meet with the Stock Exchange within a reasonable period of time upon prior notice from the Stock Exchange, if required;
- (c) our Company has appointed CCBI as its compliance adviser pursuant to Rule 3A.19 of the Listing Rules who will also act as an additional channel of communication between

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

our Company and the Stock Exchange for the period commencing on the Listing Date and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the Listing Date. Our Company will inform the Stock Exchange promptly of any changes in the compliance adviser;

- (d) our Company will appoint other professional advisers (including legal advisers and accountants) to advise on on-going compliance requirements and other issues arising from the Listing Rules and other applicable laws and regulations in Hong Kong and to ensure that there will be efficient communication with the Stock Exchange after the Listing; and
- (e) each of our Directors will provide his respective mobile phone number, office phone number, e-mail address and fax number to the Stock Exchange prior to the Listing. In the event that a Director expects to travel outside Hong Kong, he shall provide to the authorised representatives the phone numbers of the place of his accommodations outside Hong Kong or the phone numbers where he can be contacted outside Hong Kong.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We have entered into certain transactions with our connected persons which will constitute continuing connected transactions of our Company under the Listing Rules after the Listing. We have applied to the Stock Exchange for, and the Stock Exchange has granted a waiver from strict compliance with the relevant announcement requirements set out in Chapter 14A of the Listing Rules for these continuing connected transactions. Please refer to the section headed “Connected Transactions” in this prospectus for further details of these continuing connected transactions and the waiver granted by the Stock Exchange.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules of Hong Kong (as amended) and the Listing Rules for the purposes of giving with regard to our Company. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all materials respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

INFORMATION ON THE GLOBAL OFFERING

This prospectus is published solely in connection with the Hong Kong Public Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms contain all the terms and conditions of the Hong Kong Public Offering.

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by us, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners and the Underwriters, any of their respective directors, agents, employees or advisors or any other party involved in the Global Offering.

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus, 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.

Neither the delivery of this prospectus nor any subscription or acquisition made under it shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this prospectus or that the information in it is correct as at any subsequent time.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering, which is part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the related Application Forms contain the terms and conditions of the Hong Kong Public Offering. Details of the terms of the Global Offering are described in the section headed "Structure of the Global Offering" in this prospectus.

The Listing of our Shares on the Stock Exchange is sponsored by the Sole Sponsor. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters. The International Offering is managed by the Sole Global Coordinator. The International Underwriting Agreement is expected to be entered into on or about the Price Determination Date, subject to the agreement on the Offer Price between us and the Sole Global Coordinator (on behalf of the Underwriters). If, for any reason, the Offer Price is not agreed upon amongst us and the Sole Global Coordinator (on behalf of the Underwriters), the Global Offering will not proceed and will lapse. Further details about the Underwriters and the underwriting arrangements are contained in the section headed "Underwriting" in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares 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 Offer Shares are offered to the public in Hong Kong for subscription solely on the basis of the information contained and the representations made in this prospectus and the related Application Forms. No person is authorised in connection with the Global Offering to give any information, or to make any representation, not contained in this prospectus, and any information or representation not contained in this prospectus must not be relied upon as having been authorised by our Company, the Sole Sponsor, the Underwriters, any of their respective directors or any other person involved in the Global Offering.

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

The distribution of this prospectus and the offering 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 and pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exception therefrom.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus (including Shares to be issued pursuant to the Capitalisation Issue, Shares which may fall to be issued upon the exercise of the Over-allotment Option and any options that were granted under the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme) on the Main Board.

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

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

REGISTER OF MEMBERS AND STAMP DUTY

Our Company's principal register of members will be maintained by its principal share registrar, Codan Trust Company (Cayman) Limited, in the Cayman Islands and our Company's

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

branch register of members will be maintained by its Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, in Hong Kong. All Shares to be issued pursuant to the Global Offering, the Capitalisation Issue and any Shares to be issued upon exercise of the Over-allotment Option or any option which were granted under the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme will be registered on our Company's register of members in Hong Kong. Only Shares registered on our Company's register of members maintained in Hong Kong may be traded on the Stock Exchange.

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

Dealings in our Shares registered in the branch register of members of our Company in Hong Kong will be subject to Hong Kong stamp duty. The current rate of stamp duty in Hong Kong is 0.2% of the consideration or, if higher, the market value of our Shares being sold or transferred.

Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of Shares will be paid to the shareholders listed on the Hong Kong register of members of our Company, by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder, or if joint Shareholders, to the first-named therein in accordance with the Articles.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, our Shares on the Stock Exchange and our Company's compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our Shares on the Stock Exchange or any other date as HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

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

PROFESSIONAL TAX ADVICE RECOMMENDED

Applicants for the Offer Shares are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of holding and dealing in our Shares. None of our Group, the Underwriters, the Sole Sponsor, any of their respective directors, supervisors, agents or advisors or any other person involved in the Global Offering accepts responsibility for any tax effects or liabilities of holders of Shares resulting from the subscription, purchase, holding or disposal of, dealing in, or exercising any rights in relation to, our Shares.

OVER-ALLOTMENT AND STABILISATION

In connection with the Global Offering, the Sole Global Coordinator or any person acting for it may over-allot or effect transactions with a view to supporting the market price of our

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Sole Global Coordinator or any person acting for it to do this. Such stabilisation action, if taken, may be discontinued at any time and is required to be brought to an end after a limited period. An announcement will be made to the public within seven days after the end of the stabilising period as required under the Securities and Futures (Price Stabilising) Rules (Chapter 571W of the Laws of Hong Kong).

In connection with the Global Offering and our Company intends to grant to the Sole Global Coordinator (for itself and on behalf of the Underwriters) the Over-allotment Option, which will be exercisable in full or in part by the Sole Global Coordinator (for itself and on behalf of the Underwriters) no later than 30 days after 16 May 2014, being the last day for the lodging of applications under the Hong Kong Public Offering. Pursuant to the Over-allotment Option, our Company may be required to allot and issue at the Offer Price up to an aggregate of 37,500,000 additional Shares, representing 15% of the total number of Shares initially available under the Global Offering, in connection with over-allocations in the International Offering, if any.

Further details with respect to stabilisation and the Over-allotment Option are set out in the section headed “Structure of the Global Offering — Stabilisation and Over-allotment” in this prospectus.

COMMENCEMENT OF DEALINGS IN THE SHARES

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, 23 May 2014, it is expected dealings in our Shares on the Main Board of the Stock Exchange will commence at 9:00 a.m. on Friday, 23 May 2014. Shares will be traded in board lots of 2,000.

The stock code for our Shares is 2111.

Our Company will not issue any temporary documents of title.

Dealings in our Shares on the Stock Exchange will be effected by participants of the Stock Exchange whose bid and offer quotations will be available on the Stock Exchange’s teletext page information system. Delivery and payment for Shares dealt on the Stock Exchange will be effected two trading days following the transaction date (“T+2”). Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. Only certificates for Shares registered on the branch share register of our Company will be valid for delivery in respect of transactions effected on the Stock Exchange. If you are unsure about the procedures for dealings and settlement arrangement on the Stock Exchange on which our Shares are listed and how such arrangements will affect your rights and interests, you should consult your stockbroker or other professional advisors.

PROCEDURES FOR APPLICATION FOR SHARES

The procedures for applying for the Offer Shares are set out in the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus and on the relevant Applications Forms.

STRUCTURE OF THE GLOBAL OFFERING

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

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

EXCHANGE RATE CONVERSION

For the purpose of illustration only and unless otherwise specified in this prospectus, the translations of Hong Kong dollars into U.S. dollars have been made at the rates of HK\$7.7533 to US\$1.00, the noon buying rates as set forth in the H.10 statistical release of the Federal Reserve Bank as at 2 May 2014, and the translation of Renminbi into Hong Kong dollars has been made at the rate of RMB0.79404 to HK\$1.00, the exchange rate set by the PBOC for foreign exchange transactions prevailing on 5 May 2014. 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 individual amounts listed in any table are due to rounding.

WEBSITE

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

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Address	Nationality
<i>Executive Directors</i>		
Mr. Lu Yuguang (盧煜光) (<i>Chairman</i>)	No.28 Yanhe Street Three, Baihao Houjie Town Dongguan City Guangdong Province The PRC	Chinese
Mr. Zhang Haitao (張海濤)	Room 1906 108 Taojin Road East Guangzhou City Guangdong Province The PRC	Chinese
Mr. Wu Shaolun (吳少倫)	No.4 3 Xiang, Taishaxincun Humen Town Dongguan City Guangdong Province The PRC	Chinese
<i>Independent non-executive Directors</i>		
Mr. Cheung Yat Ming (張一鳴)	Flat A, 11 th Floor Block T2 Residence Bel-Air 28 Bel-Air Avenue Cyberport Hong Kong	Chinese
Mr. Ding Baoshan (丁寶山)	No.2 Fuyou Street Xicheng District Beijing The PRC	Chinese
Mr. Sai Chun Yu (余振宇)	Flat D, 19 th Floor Block 2 Grand Horizon Tsing Yi New Territories Hong Kong	Chinese

Further information in relation to our Directors are disclosed in the section headed “Directors, Senior Management and Employees” in this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Global Coordinator and Sole Sponsor

CCB International Capital Limited
12/F., CCB Tower
3 Connaught Road Central
Central
Hong Kong

Joint Bookrunners and Joint Lead Managers

CCB International Capital Limited
12/F., CCB Tower
3 Connaught Road Central
Central
Hong Kong

DBS Asia Capital Limited
17/F., The Center
99 Queen's Road Central
Hong Kong

Legal advisers to our Company

As to Hong Kong law:
Stephenson Harwood
18th Floor
United Centre
95 Queensway
Hong Kong

As to PRC law:
Jingtian & Gongcheng Law Firm
34th Floor, Tower 3
China Central Place
77 Jianguo Road
Chaoyang District
Beijing 100025
The PRC

As to Cayman Islands Law:
Conyers Dill & Pearman (Cayman) Limited
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Legal advisers to the Underwriters

As to Hong Kong law:

Sidley Austin
Level 39, Two International Finance Centre
8 Finance Street
Central
Hong Kong

As to PRC law:

Commerce & Finance Law Offices
6th Floor, NCI Tower
A12 Jianguomenwai Avenue
Chaoyang District
Beijing 100022
The PRC

Auditors and reporting accountants

Deloitte Touche Tohmatsu
Certified Public Accountants
35/F., One Pacific Place
88 Queensway
Hong Kong

Property valuer

Avista Valuation Advisory Limited
Suite 807, 8th Floor, AXA Centre
151 Gloucester Road
Wanchai
Hong Kong

Compliance adviser

CCB International Capital Limited
12/F., CCB Tower
3 Connaught Road Central
Central
Hong Kong

Receiving bankers

Bank of China (Hong Kong) Limited
1 Garden Road
Hong Kong

China Construction Bank (Asia) Corporation Limited
22/F, CCB Centre
18 Wang Chiu Road
Kowloon Bay
Hong Kong

DBS Bank (Hong Kong) Limited
16/F, The Centre
99 Queen's Road Central
Hong Kong

Hang Seng Bank Limited
83 Des Voeux Road Central
Hong Kong

CORPORATE INFORMATION

Registered office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Headquarters and principal place of business in the PRC	Xinsha Port Industrial Park Machong Town Dongguan City The PRC
Principal place of business in Hong Kong	8 th Floor, West Gate Tower No.7 Wing Hong Street Lai Chi Kok Kowloon Hong Kong
Company's website	<u>www.bestpacific.com</u> <i>(Information contained in this website does not form part of this prospectus)</i>
Company secretary	Chan Yiu Sing (陳耀星), <i>HKICPA</i> Flat 1B Block D, Wylie Court Homantin Kowloon Hong Kong
Authorised representatives	Zhang Haitao (張海濤) Room 1906 108 Taojin Road East Guangzhou City Guangdong Province The PRC Chan Yiu Sing (陳耀星) Flat 1B Block D, Wylie Court Homantin Kowloon Hong Kong
Audit committee	Sai Chun Yu (余振宇) (<i>Chairman</i>) Cheung Yat Ming (張一鳴) Ding Baoshan (丁寶山)
Remuneration committee	Ding Baoshan (丁寶山) (<i>Chairman</i>) Lu Yuguang (盧煜光) Cheung Yat Ming (張一鳴)

CORPORATE INFORMATION

Nomination committee

Lu Yuguang (盧煜光) (*Chairman*)
Cheung Yat Ming (張一鳴)
Ding Baoshan (丁寶山)

Principal share registrar and transfer office in the Cayman Islands

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Hong Kong Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Principal banks

Agricultural Bank of China, Dongguan Branch
Mazhang Roadside
Dabu Management Zone
Machong Town
Dongguan City
The PRC

DBS Bank (Hong Kong) Limited
16th Floor, The Centre
99 Queen's Road Central
Central
Hong Kong

Hang Seng Bank Limited
83 Des Voeux Road Central
Central
Hong Kong

INDUSTRY OVERVIEW

This section contains information and statistics relating to the global economy and the industry in which we operate. We have derived such information and data partly from publicly available government, official and other third-party sources which have not been independently verified by us, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters or any of their respective affiliates or advisers. Our Directors have taken reasonable care in the reproduction of such information, which may not be consistent with other information compiled within or outside China. We believe the sources of the information in this section are appropriate sources for such information and we 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 part has been omitted that would render such information false or misleading.

Unless otherwise indicated, information and statistics relating to the global lingerie industry and global lingerie materials industry in this and other sections of this prospectus have been derived from the Frost & Sullivan Report.

FROST & SULLIVAN REPORT

We commissioned Frost & Sullivan, an independent market research and consulting company, to conduct an analysis of, and to report on the global lingerie industry and the global lingerie materials market from 2008 to 2016. Frost & Sullivan is an independent global consulting firm founded in 1961 and has over 40 global offices with more than 2,000 industry consultants, market research analysts, technology analysts and economists. It offers industry research and market strategies and provides growth consulting and corporate training. Its industry coverage in China includes consumer goods, agriculture, forestry, husbandry and fishery, automotive and transportation, chemicals, materials and food, commercial aviation, energy and power systems, environment and building technologies, healthcare, industrial automation and electronics, industrial and machinery, minerals and metals, and technology, media and telecom.

The Frost & Sullivan Report includes historical and forecast information on the global lingerie market and the global lingerie materials market and other economic and industrial data, which have been quoted in this prospectus. The Frost & Sullivan Report has been prepared independent of our Group's influence. The total consideration for Frost & Sullivan's commission amounts to RMB750,000, which we believe reflects the market rate.

Frost & Sullivan's independent research was undertaken through both primary and secondary research obtained from various official government publications in the EU, the U.S., Japan and the PRC as well as information provided by international organisations and industry sources. Primary research involved interviews with leading industry participants in the global lingerie industry and global lingerie materials market, and related industry experts. Secondary research involved reviewing company reports, independent research reports and data based on Frost & Sullivan's own research database. Frost & Sullivan has assumed that the information and data, which it obtained from Independent Third Parties and publicly available data, are complete and accurate. Frost & Sullivan's research may be affected by the accuracy of these assumptions and the choice of these parameters. The information contained herein has been obtained from sources which Frost & Sullivan believes are reliable, but there can be no assurance as to the accuracy or completeness of any such information.

INDUSTRY OVERVIEW

Frost & Sullivan also adopted the following primary assumptions while making projection for the global lingerie materials market:

- related industry key drivers are likely to drive the global lingerie industry and global lingerie materials market in the forecast period, such as rising household income and rising purchasing power;
- the global economy is likely to gradually recover over the forecast period;
- there is no obvious replacement of the raw materials; and
- there is no external shock such as natural disasters to affect the demand and supply of raw materials during the forecast period.

All statistics are reliable and are based on information available as at the date of the Frost & Sullivan Report. Other sources of information, including government, trade associations or marketplace participants, may have provided some of the information on which the analysis or data is based.

Our Directors confirm that after taking reasonable care, there is no adverse change in the market information since the date of the Frost & Sullivan Report which may qualify, contradict or have an impact on the information in this section.

THE GLOBAL LINGERIE INDUSTRY

Overview of the global lingerie industry

The lingerie industry is a part of the underwear and innerwear segment of the apparel industry. Lingerie refers to undergarments designed specifically for women. Major categories of lingerie include bras, panties and shapewear. With improvements in living standards, consumers have become more demanding in terms of the quality of their clothing fabric and want clothes with new functions such as being elastic, wicking, anti-static, anti-ultraviolet, anti-bacterial or thermal insulated. According to the Frost & Sullivan Report, the retail revenue of the global lingerie market is expected to grow from US\$65.7 billion in 2012 to US\$82.1 billion in 2016:

Market size of global lingerie market, 2008-2016E



Source: Frost & Sullivan

INDUSTRY OVERVIEW

THE GLOBAL LINGERIE MATERIALS MARKET

Overview of the global lingerie materials market

According to the Frost & Sullivan Report, the global lingerie materials market usually consists of key elements, including (i) fabrics such as elastic fabrics and non-elastic fabrics represented by cotton fabrics; (ii) lace; (iii) molded foam cups; and (iv) accessories including elastic webbing, bra hooks and eye fasteners. Elastic fabrics, elastic webbing and lace constitute 65.5% of the total revenue of the global lingerie materials market in 2012. These three lingerie materials are processed from nylon and spandex. They comprise the majority of manufacturing costs of lingerie manufacturers. The market size of the global lingerie materials market by sales revenue reached US\$7.5 billion in 2012, and is expected to grow to US\$9.5 billion in 2016. The following chart illustrates the historical and projected market size of the global lingerie materials market from 2008 to 2016:

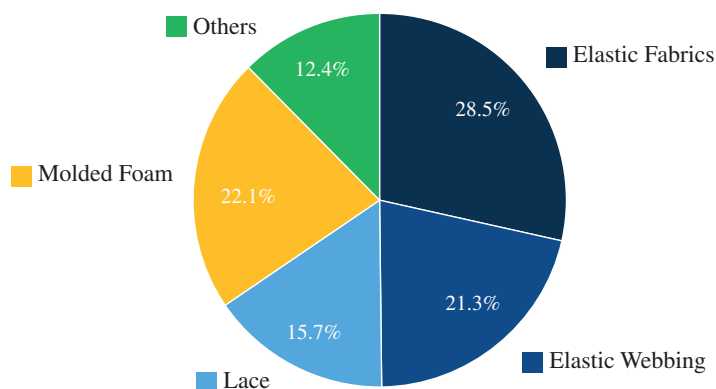
Market size of global lingerie materials, 2008-2016E



Source: Frost & Sullivan

The following chart illustrates the breakdown of the global lingerie materials market in 2012:

Breakdown of market size of global lingerie materials, 2012



Total Sales Revenue: \$7.5 Billion

Source: Frost & Sullivan

INDUSTRY OVERVIEW

Most lingerie materials suppliers only manufacture limited types of materials. As a result, many lingerie manufacturers must source their lingerie materials by piecemeal from various suppliers, and even from different countries. According to the Frost & Sullivan Report, our Group is one of the few lingerie materials manufacturers which offer one-stop solutions for lingerie manufacturers and are able to supply a wide range of lingerie materials including elastic fabrics, elastic webbing and lace to help lingerie manufacturers simplify their sourcing process. Some one-stop solutions providers with strong innovative and research and development capabilities also work closely together with lingerie brand owners and lingerie manufactures to develop new designs and customized products.

The global lingerie materials market is highly fragmented. According to the Frost & Sullivan Report, the top five players in the global lingerie materials market by sales revenue in 2012 were our Group, Company A, Company B, Company C and Company D. These top five players only held in aggregate of approximately 9.0% of the market share of the global lingerie materials market by sales revenue in 2012. Among them, our Group was the largest supplier of lingerie materials worldwide in 2012 with a total revenue of US\$174.9 million, representing approximately 2.3% of the total market share by sales revenue. The following table sets forth the market share by sales revenue of each of the top five players in the global lingerie materials market in 2012:

Ranking	Company	Sales Revenue (US\$ Million)	Market Share (%)
1	Best Pacific⁽¹⁾	174.9	2.3
2	Company A	161.2	2.2
3	Company B	144.4	1.9
4	Company C	103.7	1.4
5	Company D	86.3	1.2

Source: Frost & Sullivan

Note:

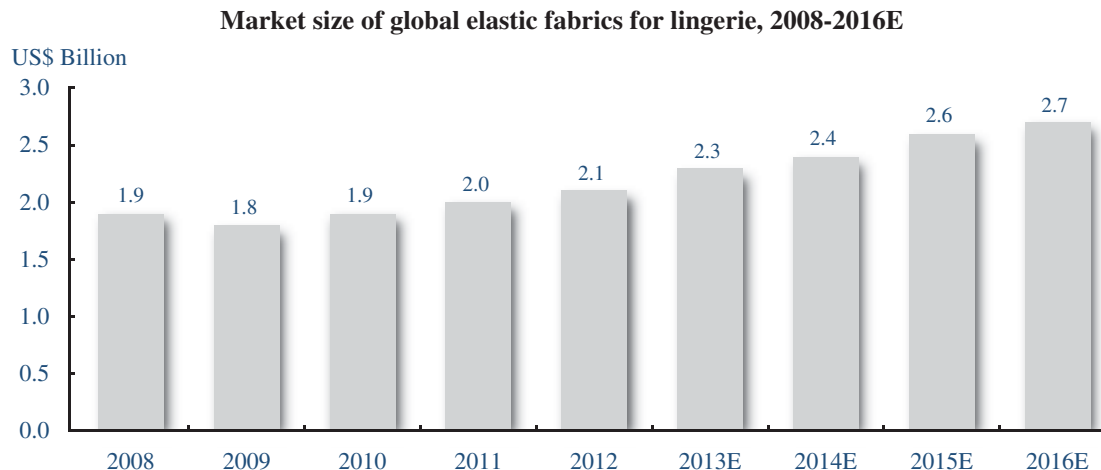
(1) Assumption: 5% of its elastic fabrics are sold for non-lingerie purposes like swimwear and sportswear.

Overview of the global elastic fabrics market for lingerie

Elastic fabrics is usually made from synthetic fibres such as spandex and nylon filament, which are mostly applied in lingerie products as an alternative to cotton. The high functionality and elasticity of elastic fabrics contributes to its popularity as a main fabric type for lingerie products.

INDUSTRY OVERVIEW

The global elastic fabrics market for lingerie expanded steadily from 2008 to 2012 and recorded sales revenue of US\$2.1 billion in 2012. The Frost & Sullivan Report projects that the total sales revenue of the global elastic fabrics market for lingerie will reach US\$2.7 billion in 2016. The chart below illustrates the historical and projected sales revenue of the global elastic fabrics market for lingerie from 2008 to 2016:



Source: Frost & Sullivan

Growth drivers

According to the Frost & Sullivan Report, increasing demand from global lingerie markets is expected to be the primary growth driver for the global elastic fabrics sector for lingerie in the next two years. The key market drivers in the next three to five years include (i) innovation in functionality and better qualities of synthetic fibres; (ii) the shift from grey fabrics production to high-value printed and dyed fabrics; and (iii) national political support, for example in December 2010, “The Scientific and Technological Progress Outline of the 12th Five-year Textile Industry” clearly stated to “develop molding weaving, short fibre warp knitting technology and other new technologies”, which brings additional opportunities in China. These factors are also expected to encourage research and development by major manufacturers, on top of improving the average technology level of the overall elastic fabrics industry for lingerie, which create better profit margins while meeting national industry guidelines for standardisation and upgrade.

Competitive landscape

Our Group was the largest manufacturer in the global elastic fabrics market for lingerie, capturing the largest market share among all players of elastic fabrics for lingerie by sales revenue in 2012. The following table sets forth the market share by sales revenue of each of the top five players of the global elastic fabrics market for lingerie in 2012:

Ranking	Company	Sales Revenue (US\$ Million)	Market Share (%)
1	Best Pacific⁽¹⁾	113.7	5.3
2	Company C	103.7	4.9
3	Company A	61.4	2.9
4	Company E	41.4	1.9
5	Company F	40.4	1.9

Source: Frost & Sullivan

Note:

(1) Assumption: 5% of its elastic fabrics are sold for non-lingerie purposes like swimwear and sportswear.

INDUSTRY OVERVIEW

Company C

Company C was established in the PRC and offers elastic fabrics and non-elastic fabrics primarily targeting the general apparel, sportswear, swimwear and lingerie industries. With a production volume of elastic fabrics for lingerie which amounted to approximately 25.2 million m., generating approximately US\$103.7 million sales revenue in 2012, Company C ranked second in the global elastic fabrics market for lingerie in 2012.

Company A

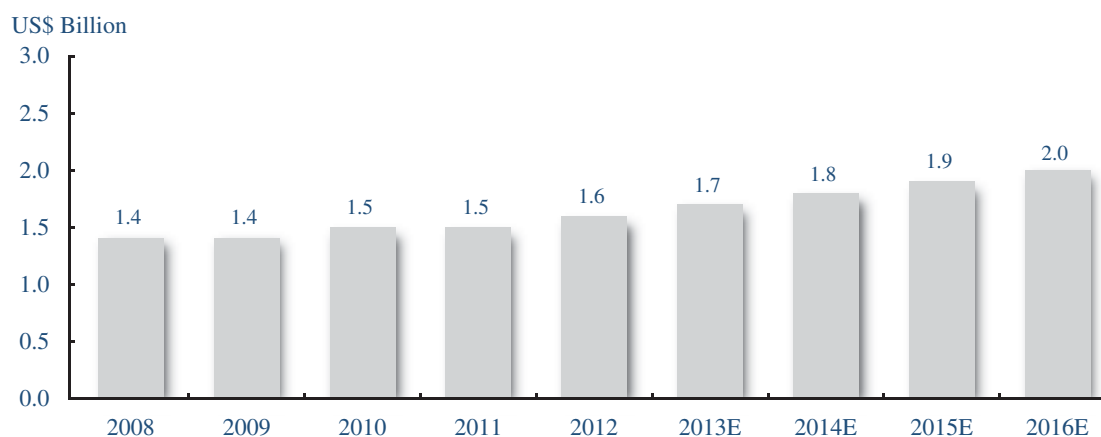
Company A was established in Hong Kong and has a product portfolio which comprises elastic fabrics, lace, webbing and molds. It primarily targets at customers in the lingerie, sportswear, swimwear and night wear industries, among others. Company A had a production volume of approximately 11.5 million m. and recorded approximately US\$61.4 million sales revenue of elastic fabrics for lingerie in 2012, which ranked third in the global elastic fabrics market for lingerie in 2012.

Overview of the global elastic webbing market for lingerie

The primary raw materials for making elastic webbing include nylon, polyester and some elastic materials such as spandex. Elastic webbing made from nylon is easily dyed with the qualities of high strength, an extensive colour palate, abrasive resistance and excellent touch, all of which make it an ideal choice for production of shoulder straps for lingerie products.

Similar to the global elastic fabrics market for lingerie, the global elastic webbing market for lingerie also expanded steadily from 2008 to 2012 and recorded sales revenue of US\$1.6 billion in 2012. The Frost & Sullivan Report projects the total sales revenue of the global elastic webbing market for lingerie to reach US\$2.0 billion in 2016. The chart below illustrates the historical and projected sales revenue of the global elastic webbing market for lingerie from 2008 to 2016:

Market size of global elastic webbing for lingerie, 2008-2016E



Source: Frost & Sullivan

Growth drivers

According to the Frost & Sullivan Report, the global elastic webbing market for lingerie is expected to be driven upwards by a rising demand from the growing global lingerie market in the next two years, especially in China, where the retail revenue of the lingerie market is expected to grow at a CAGR of approximately 16.7% from 2012 to 2016. In addition, continuous technological

INDUSTRY OVERVIEW

improvement and innovation in the production of synthetic fibres have enhanced the durability and performance of elastic webbing for lingerie. With the support and use of advanced production machineries with higher level of automation and efficiency, the technological advancement in the production of synthetic fibres is expected to be another key growth driver of the global elastic webbing market for lingerie in the next three to five years. These factors are expected to encourage research and development by major manufacturers and create better profit margins for the production of elastic webbing for lingerie with improved technological content.

Competitive landscape

Our Group was the second largest manufacturer by sales revenue in the global elastic webbing market for lingerie in 2012. The following table sets forth the market share by sales revenue of each of the top five players of the global elastic webbing market for lingerie in 2012:

Ranking	Company	Sales Revenue (US\$ Million)	Market Share (%)
1	Company D	86.3	5.4
2	Best Pacific	61.0	3.9
3	Company G	52.0	3.3
4	Company H	36.4	2.3
5	Company A	29.0	1.8

Source: Frost & Sullivan

Company D

Company D was established in Sri Lanka and produces elastic webbing and its target major applications include lingerie, sportswear, bandages and industrial use, among others. Company D had a production volume of approximately 622.1 million m. of elastic webbing for lingerie and recorded sales revenue of approximately US\$86.3 million in 2012, which ranked first in the global elastic webbing market for lingerie in 2012.

Company G

Company G was established in Hong Kong and primarily produces elastic webbing for use in lingerie and men's underwear industries. With a production volume of approximately 389.5 million m. of elastic webbing for lingerie and sales revenue of approximately US\$52.0 million in 2012, Company G ranked third in the global elastic webbing market for lingerie in 2012.

Overview of the global lace market for lingerie

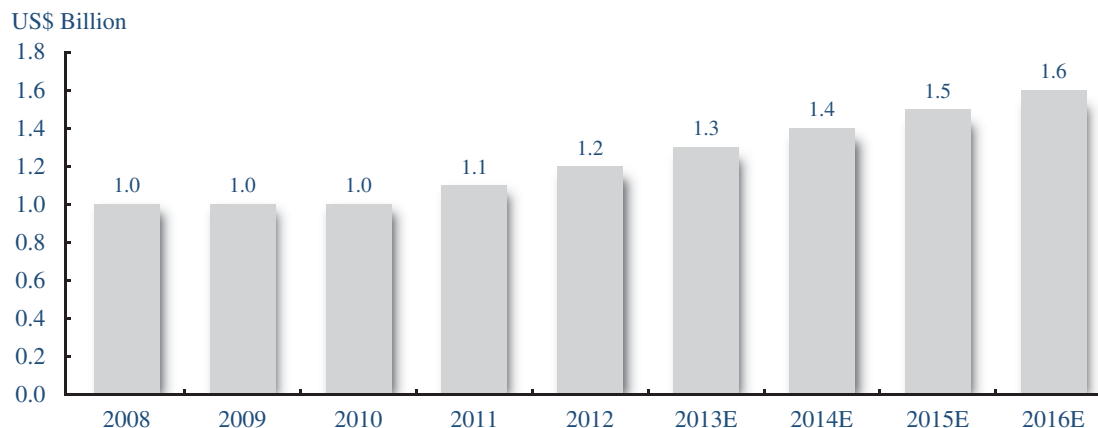
Lace fabrics is divided into elastic lace fabrics and non-elastic lace fabrics. Elastic lace fabrics is comprised of about 10% spandex and 90% nylon. Non-elastic lace fabrics is fully composed of either nylon or cotton. Lace is a key decorative component of lingerie products with different designs and patterns produced by a complex process, and hence usually generates a higher gross profit margin, ranging from 40% to 60%, compared to other lingerie materials, such as elastic fabrics and elastic webbing. The global lace market for lingerie has been growing with rising demand for different styles of lingerie products.

According to the Frost & Sullivan Report, the global lace market for lingerie grew steadily from 2008 to 2012 and the sales revenue reached US\$1.2 billion in 2012. The growth in disposable income and rising acceptance of lingerie in developing countries are expected to increase the

INDUSTRY OVERVIEW

demand for lace. The total sales revenue of the market is expected to increase to US\$1.6 billion in 2016. The chart below illustrates the historical and projected sales revenue of the global lace market for lingerie from 2008 to 2016:

Market size of global lace for lingerie, 2008-2016E



Source: Frost & Sullivan

Growth drivers

According to the Frost & Sullivan Report, women's increasing preference for lingerie products with different designs and patterns is expected to drive the growth of the global lace market for lingerie, which is mainly used as a decorative material, in the future. Furthermore, evolution of material technology will improve the comfort level and introduce new styles of lace products, while upgrade of production technology with high level of automation will enhance efficiency with reduced cost. Both of these trends will increase the profitability of lace manufacturers for lingerie.

Competitive landscape

According to the Frost & Sullivan Report, the global lace market for lingerie is highly fragmented. The top three players of the global lace market for lingerie only held approximately 11.2% of the market share by sales revenue in 2012, as shown by the following table:

Ranking	Company	Sales Revenue (US\$ Million)	Market Share (%)
1	Company I	51.2	4.4
2	Company J	42.0	3.6
3	Company K	37.9	3.2
4	Company L	30.2	2.6
5	Company A	19.5	1.7

Source: Frost & Sullivan

Company I

Company I was established in the PRC and produces lace for products such as lingerie, wedding dress and night wear. Company I produced approximately 26.9 million m. of lace for

INDUSTRY OVERVIEW

lingerie with sales revenue of approximately US\$51.2 million in 2012, which ranked first in the global lace market for lingerie in 2012.

Company J

Company J is a French company and produces lace for lingerie and female apparel. Company J had a production volume of approximately 9.7 million m. and sales revenue of approximately US\$42.0 million of lace for lingerie in 2012, which ranked second in the global lace market for lingerie in 2012.

Company K

Company K is a Hong Kong company and which produces lace for lingerie, fashion apparel and night wear. Company K produced approximately 14.7 million m. of lace for lingerie and generated approximately US\$37.9 million of sales revenue in 2012, which ranked third in the global lace market for lingerie in 2012.

Key advantages of our Group over competitors

According to the Frost & Sullivan Report, our Group has two key advantages over its competitors, including (i) ability to offer one-stop solutions — our Group is one of the few lingerie materials manufacturers that can offer one-stop solutions by offering a comprehensive range of lingerie materials, including elastic fabrics, elastic webbing and lace, to lingerie manufacturers and lingerie brand owners, which effectively help simplify their sourcing process, as compared to its competitors which usually manufacture only one type of lingerie material; and (ii) strong innovative and research and development capabilities — our Group has the capability to design and customize innovative and new elastic fabrics and elastic webbing products for leading lingerie brands and manufacturers through which it has established close and long-term relationships with over the years of cooperation.

Key barriers of entry of global lingerie materials market

As the elastic fabrics industry for lingerie is both capital and labour intensive, large-scale investment in fixed assets, raw materials, technology, human resources and cash flow is required to achieve economies of scale. These expenditures include the capital investments required for setting up a factory and purchasing machineries with new technology, employing and fostering professional, technical and management personnel.

With local and foreign countries attaching high importance to environmental issues, the production process involving emission of wastewater is regulated by government constraints and green barriers set by international purchasers. As a result, the significant investments required for facilities to control emission of wastewater and compliance with green standards are also likely to pose difficulties for new entrants.

Similar to the global elastic fabrics market for lingerie, the key barriers to entry of the global elastic webbing market for lingerie include capital investment and environmental compliance. Client expansion is also difficult for new entrants because it takes time to build trust with customers that demand stringent product quality and such customers have a tendency to purchase from established, qualified and authorised suppliers.

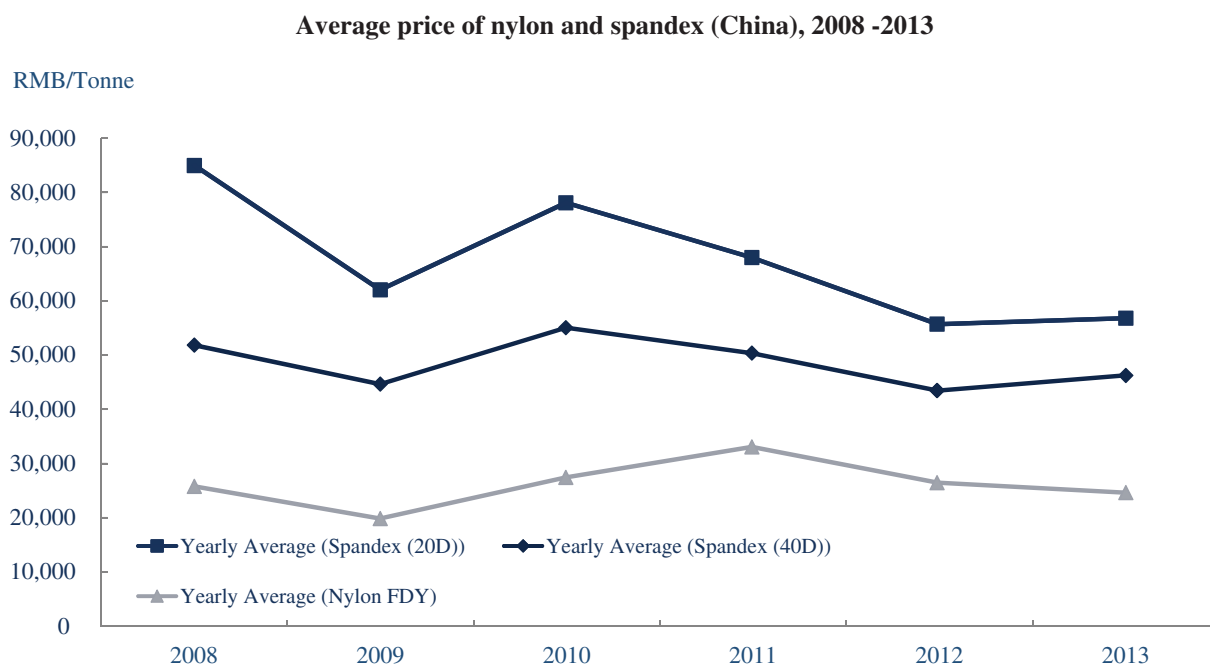
INDUSTRY OVERVIEW

Lace manufacturers must also continue to invest in their design capabilities. Compared to other lingerie materials, lace requires more frequent innovation to keep pace with consumer preferences. Leading lace companies usually have a team dedicated for the design and innovation of lace. This sets high requirement and poses difficulties for new entrants to the global lace market for lingerie.

PRICES OF RAW MATERIALS FOR PRODUCTION

The manufacture of elastic fabrics, elastic webbing and lace are affected by fluctuations in prices of raw materials such as spandex and nylon. Prices of spandex and nylon are in turn affected by fluctuations in crude oil prices. Since spandex and nylon are among the major raw materials used in our Group's production, the fluctuations in the prices of these two raw materials were key factors which affected our Group's cost of production.

Spandex is measured in denier (D) and the smaller the denier, the longer or more yards of fabric are produced per pound of cloth fibre which results in thinner cloth with a finer weave. Our Group primarily uses the thinner Spandex 40D and Spandex 20D for its production of the elastic lingerie materials. The chart below shows the average price of nylon and spandex from 2008 to 2013:



Source: WIND, China Chemical & Fiber Economic Information Network, Frost & Sullivan

Nylon

The average price of nylon was affected by the negative impact of the global economic crisis. As a result of compressed demand, the average price of nylon per tonne experienced a decline from approximately RMB25,789 in 2008 to approximately RMB19,854 in 2009. Stimulated by a gradual recovery of the Chinese economy, there was a high growth rate in the average price of nylon per tonne from approximately RMB18,600 in May 2009 to RMB36,700 in March 2011. However, from 2011 to July 2013, the slowdown of the domestic market and depressed overseas

INDUSTRY OVERVIEW

demand pulled down the average price of nylon per tonne from RMB33,068 to RMB24,643, respectively.

Spandex

Relative to crude oil, the average price of spandex has evolved in similar trend. According to the Frost & Sullivan Report, the crude oil price dropped significantly due to the financial crisis, while the average price of Spandex 40D decreased from approximately RMB51,825 per tonne in 2008 to approximately RMB44,633 per tonne in 2009. Similarly, the average price of spandex 20D decreased from approximately RMB84,958 per tonne in 2008 to approximately RMB62,025 per tonne in 2009. The average prices of Spandex 40D and Spandex 20D reached approximately RMB55,042 and approximately RMB78,075 respectively in 2010, which were mainly driven by the moving price of crude oil and its derivatives such as polyoxytertramethylene glycol as the main feedstock of Spandex. From 2011 to 2012, due to the oversupply of Spandex caused by the continuous capacity expansion and stagnant downstream demand, the average prices per tonne dropped to the average level of 2009 and largely kept stable at a low level despite the fluctuation in crude oil prices. Beginning in 2013, while the spandex capacity has not yet been fully optimized in China and given the recovering global economy, spandex prices have seen a slight increase during the first half of 2013.

PRC REGULATORY OVERVIEW

This section sets out the summary of certain aspects of PRC laws and regulations, which are relevant to our Group's operation and business.

ESTABLISHMENT, OPERATION AND MANAGEMENT OF A WHOLLY FOREIGN-OWNED ENTERPRISE

The establishment, operation and management of corporate entities in China are governed by PRC Company Law, which was adopted by the Standing Committee of the National People's Congress (全國人民代表大會常務委員會) on 29 December 1993 and took effect from 1 July 1994. It was last amended on 27 October 2005 and took effect from 1 January 2006 (the PRC Company Law has been further revised on 28 December 2013, and will become effective on 1 March 2014). Under the PRC Company Law, companies are generally classified into two categories — limited liability companies and companies limited by shares. The Company Law also applies to foreign-invested limited liability companies. According to the PRC Company Law, where laws on foreign investment have other stipulations, such stipulations shall prevail.

The establishment procedures, approval procedures, registered capital requirements, foreign exchange, accounting practices, taxation and labour matters of a wholly foreign-owned enterprise are regulated by the Wholly Foreign-owned Enterprise Law of the PRC* (中華人民共和國外資企業法) (the “**Wholly Foreign-owned Enterprise Law**”), which was promulgated on 12 April 1986 and amended on 31 October 2000, and the Implementation Rules to the Wholly Foreign-owned Enterprise Law* (中華人民共和國外資企業法實施細則), which were promulgated on 12 December 1990 and amended on 12 April 2001.

The Catalogue of Industries for Guiding Foreign Investment (2011 Revision)* (外商投資產業指導目錄 (2011年修訂)) (the “**Catalogue**”), which was amended and promulgated by the MOFCOM and the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會) on 24 December 2011, took effect from 30 January 2012. The Catalogue contains specific provisions guiding market access of foreign capital, stipulating in detail the rules of entry according to the categories of encouraged industries, restricted industries and prohibited industries. Industries not listed in the Catalogue are generally open to foreign investment unless prohibited or restricted specifically by other PRC laws and regulations. Foreign investment in the encouraged category is entitled to certain preferential treatment and incentive extended by the government, while foreign investment in the restricted category is permitted but is subject to certain restrictions under PRC laws and regulations. Foreign investment in the prohibited category is not allowed.

IMPORTATION AND EXPORTATION OF GOODS

Pursuant to the Foreign Trade Law of the PRC* (中華人民共和國對外貿易法) (the “**Foreign Trade Law**”), which was last amended on 6 April 2004 and took effect from 1 July 2004, and Measures for the Archival Filing and Registration of Foreign Trade Business Operators* (對外貿易經營者備案登記辦法), which was promulgated on 25 June 2004 and took effect from 1 July 2004, foreign trade dealers engaged in the import and export of goods or technologies shall register with the authority responsible for foreign trade under the State Council or its authorised bodies unless stated otherwise by the relevant PRC laws, regulations and the authority responsible for foreign trade under the State Council. Where foreign trade dealers fail to register as required, the PRC customs authority shall not process the procedures of declaration, examination and release of the imported and exported goods.

LAWS AND REGULATIONS

According to Circular of the MOFCOM on Relevant Issues Concerning the Record Keeping and Registration of the Right to Foreign Trade by Foreign-invested Enterprises* (商務部關於外商投資企業外貿權備案登記有關問題的通知), which was promulgated on 17 August 2004 and took effect from the same date, where a foreign-invested enterprise is newly established to undertake the import and/or export of goods and/or technology which are neither self-produced nor for self-use, the examination and approval authorities shall indicate clearly “business of import/export (business of distribution excluded)” for its scope of business. Upon the establishment of the foreign-invested enterprise, the enterprise must complete the record-keeping and registration formalities in accordance with the Measures for the Archival Filing and Registration of Foreign Trade Business Operators* (對外貿易經營者備案登記辦法). The registration authorities shall affix a stamp indicating “business of distribution of import goods excluded” on the registration form.

Where a foreign-invested enterprise has been lawfully approved in accordance with the Administrative Measures for Foreign Investment in Commercial Fields* (外商投資商業領域管理辦法) or other relevant regulations to undertake the import and/or export of goods and/or technology (including the distribution thereof), the record and registration authorities shall not affix the stamp indicating “business of distribution of import goods excluded” when the foreign-invested enterprise completes the formalities of record-keeping and registration as required.

Pursuant to the Administrative Provisions for the Registration of Customs Declaration Agents by the PRC Customs Authorities* (中華人民共和國海關對報關單位註冊登記管理規定), which was promulgated on 31 March 2005 and took effect from 1 June 2005, “consignor or consignee of export or import goods” means any legal person, other organisation or individual that directly imports or exports goods within the territory of the PRC. Consignors or consignees of import or export goods shall go through registration formalities with their local Customs authorities in accordance with the applicable provisions. After going through the registration formalities with Customs authorities, consignors or consignees of import or export goods may handle their own customs declarations at any customs port or any other places where customs supervisory affairs are concentrated within the customs territory of the PRC. And a PRC Customs Declaration Registration Certificate for Consignor or Consignee of Import or Export Goods* (中華人民共和國海關進出口貨物收發貨人報關註冊登記證書) shall be valid for a period of three years.

TAXATION

INCOME TAX

According to EIT Law, which was promulgated on 16 March 2007 and took effect from 1 January 2008, and the Implementation Rules To the EIT Law* (中華人民共和國企業所得稅法實施條例) (the “**Implementation Rules**”), which was promulgated on 6 December 2007 and took effect from 1 January 2008, the income tax for both domestic and foreign-invested enterprises is at the same rate of 25%. Furthermore, resident enterprises, which refer to enterprises that are set up in accordance with the PRC laws, or those set up in accordance with the laws of the foreign country (region) but with its actual administration institution in the PRC, shall pay enterprise income tax originating both within and outside the PRC. While non-resident enterprises that have set up institutions or premises in the PRC shall pay enterprise income tax in relation to the income originating from the PRC and obtained by their institutions or establishments, and the income incurred outside the PRC but there is an actual relationship with the institutions or establishments set up by such enterprises. Where non-resident enterprises that have not set up institutions or establishments in the PRC, or where institutions or establishments are set up but there is no actual

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relationship with the income obtained by the institutions or establishments set up by such enterprises, they shall pay enterprise income tax in relation to the income originating from the PRC.

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) last amended and promulgated on 10 November 2008 and took effect from 1 January 2009 and its implementation rules, all entities or individuals in the PRC engaging in the sale of goods, the provision of processing services, repairs and replacement services, and the importation of goods are required to pay value-added tax (“VAT”). The amount of VAT payable is calculated as “output VAT” minus “input VAT”. The rate of VAT is 17% for those engaging in the sale or importation of goods except otherwise provided under paragraph (2) and paragraph (3) of Article 2 in the Provisional Regulations on Value-added Tax of the PRC and is also 17% for those providing processing services, repairs and replacement services.

BUSINESS TAX

Pursuant to Provisional Regulations of the PRC on Business Tax* (中華人民共和國營業稅暫行條例), which was promulgated on 10 November 2008 and took effect from 1 January 2009, unit or individual providing services as prescribed, transferring intangible assets or selling immovable properties within the territory of the PRC are required to pay business tax. The turnover multiplied by the prescribed tax rates shall be the business tax payable. And the tax rate ranges from 3% to 20% according to different industries involved according to the Table of Items and Rates of Business Tax* (營業稅稅目稅率表) attached to the regulation.

URBAN MAINTENANCE AND CONSTRUCTION TAX AS WELL AS EDUCATION SURTAX

According to Circular of the State Council on Unifying the System of Urban Maintenance and Construction Tax and Education Surtax Paid by Domestic and Foreign-invested Enterprises and Individuals* (國務院關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知), which was promulgated on 18 October 2010, from 1 December 2010, the Tentative Regulations of the PRC on Urban Maintenance and Construction Tax* (中華人民共和國城市維護建設稅暫行條例) and the Tentative Provisions on the Collection of Educational Surtax* (徵收教育費附加的暫行規定) which were last revised on 8 January 2011 and took effect from the same day by the State Council shall be applicable to foreign-invested enterprises, foreign enterprises and individual foreigners.

Pursuant to Tentative Regulations of the PRC on Urban Maintenance and Construction Tax* (中華人民共和國城市維護建設稅暫行條例), and the Circular of the State Administration of Taxation on Issues Concerning the Collection of the Urban Maintenance and Construction Tax* (國家稅務總局關於城市維護建設稅徵收問題的通知), which was promulgated on 12 March 1994 and took effect from the same day, any unit or individual liable to consumption tax, value-added tax and business tax shall also be required to pay urban maintenance and construction tax. Payment of urban maintenance and construction tax shall be based on the consumption tax, value-added tax and business tax which a taxpayer actually pays and shall be made simultaneously when the latter are paid. Furthermore, the rates of urban maintenance and construction tax shall be 7%, 5% and 1% for a taxpayer in a city, in a county town or town and in a place other than a city, county town or town respectively.

In accordance with Tentative Provisions on the Collection of Educational Surtax* (徵收教育費附加的暫行規定), all units and individuals who pay consumption tax, value-added tax and

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business tax shall also be required to pay educational surtax in accordance with these Provisions. The educational surtax rate is 3% of the amount of value-added tax, business tax and consumption tax actually paid by each unit or individual, and the educational surtax shall be paid simultaneously with value-added tax, business tax and consumption tax.

FOREIGN EXCHANGE REGISTRATION, FOREIGN CURRENCY EXCHANGE AND DIVIDEND DISTRIBUTION

FOREIGN EXCHANGE REGISTRATION

Pursuant to the SAFE Circular 75, where domestic legal or natural person residents intend to directly established or indirectly controlled an offshore enterprise (hereafter referred to as “SPV”) for the purpose of carrying out offshore equity financing (including convertible bond financing) with the assets or equity interests they hold in domestic enterprises, they are required to apply to the competent administration of foreign exchange for foreign exchange registration of offshore investment prior to establishing or gaining control of an SPV. Furthermore, when domestic legal or natural person residents inject assets or equity they owns in a domestic enterprise into an SPV, or carrying out offshore equity financing after injecting assets or equity into an SPV, they are required to make amendment registration of the offshore investment-related foreign exchange to reflect the net assets or equity they hold in the SPV, and the changes thereto. Besides, if an SPV becomes the subject of material changes in capital, such as capital increase or reduction, equity transfer or swap, merger or division, long-term equity or debt investment, provision of security to a third party, etc. and such changes do not involve reverse investment, the domestic legal or natural person residents shall apply for amendment registration of the offshore investment-related foreign exchange, or the filing with the competent administration of foreign exchange within 30 days of the date of the occurrence of such material changes.

According to the Circular of the SAFE on Further Improving and Adjusting the Administration of Foreign Exchange with Respect to Direct Investment* (國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知), which was promulgated on 19 November 2012 and took effect from 17 December 2012, before handling the offshore investment-related foreign exchange registration, domestic legal or natural person residents may first establish SPVs overseas; but before the completion of the offshore investment-related foreign exchange registration, such SPVs shall not conduct overseas financing or have any change in equities or round-tripping investment or other material change in capital or equities. Foreign-invested enterprises established through round-tripping investments are prohibited from paying profits overseas, making settlement, transferring shares, making capital reduction, recovering in advance investment and the principal and interest of shareholder loans and other funds (including the use of profits paid overseas in domestic reinvestment, capital increase, etc.) if domestic legal or natural person residents fail to make the offshore investment-related foreign exchange registration as required.

FOREIGN CURRENCY EXCHANGE

The principal regulation governing foreign currency exchange in China is the Foreign Exchange Administration Rules of the PRC* (中華人民共和國外匯管理條例) (the “**Foreign Exchange Administration Rules**”). Under these rules, which are last amended and promulgated on 5 August 2008 and took effect from the same date, Renminbi is generally freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but not freely convertible for capital account items, such as capital transfer, direct investment, investment in securities, derivative products or loans unless the prior approval by the competent authorities for the administration of foreign exchange is obtained.

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Under the Foreign Exchange Administration Rules, foreign-invested enterprises in the PRC may purchase foreign exchange without the approval of SAFE for paying dividends by providing certain evidencing documents (board resolutions, tax certificates, etc.), or for trade and services-related foreign exchange transactions by providing commercial documents evidencing such transactions. They are also allowed to retain foreign currency (subject to a cap approval by SAFE) to satisfy foreign exchange liabilities. In addition, foreign exchange transactions involving overseas direct investment or investment and trading in securities, derivative products abroad are subject to registration with the competent authorities for the administration of foreign exchange and approval or filings with the relevant government authorities (if necessary).

DIVIDEND DISTRIBUTION

Before the promulgation of the EIT Law, the principal regulations governing the distribution of dividends paid by wholly foreign-owned enterprises include the Wholly Foreign-owned Enterprise Law and its Implementation Rules, the Foreign-investment Enterprise and Foreign Income Tax Law of the PRC* (中華人民共和國外商投資企業和外國企業所得稅法).

Under these regulations, wholly foreign-owned enterprises in China may only pay dividends from accumulated after-tax profit, if any, determined in accordance with PRC accounting standards and regulations. And dividends paid to its foreign investors are exempted from withholding tax. However, this exemption provision has been revoked by the EIT Law which prescribes a standard withholding tax rate of 20% on dividends and other China-sourced passive income of non-resident enterprises. The Implementation Rules reduced the rate from 20% to 10%, effective from 1 January 2008.

The PRC and the government of Hong Kong signed the 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 of 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 took 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.

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)) (“**Administrative**

LAWS AND REGULATIONS

Measures”) 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.

PRODUCT QUALITY

The principal legal provisions governing product liability are set out in the Product Quality Law of the PRC* (中華人民共和國產品質量法) (the “**Product Quality Law**”), which was last amended on 8 July 2000 and took effect from the same day. The Product Quality Law is applicable to all activities of production and sale of any product within the territory of the PRC, and the producers and sellers shall be liable for product quality in accordance with the Product Quality Law. According to the Product Quality Law, consumers or other victims who suffer personal injury or property losses due to product defects may demand compensation from the producer as well as the seller. Where the responsibility for product defects lies with the producer, the seller shall, after settling compensation, have the right to recover such compensation from the producer, and vice versa. Violations of the Product Quality Law may result in the imposition of fines. In addition, the seller or producer may be ordered to suspend operation and its business license may be revoked. Criminal liability may be incurred in serious cases.

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**”), which was promulgated on 2 September 1993 and took effect from 1 December 1993. 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. And acts of operators which contravene the provisions of the 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. 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 took 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

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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, confiscation of 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 license 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, confiscation of illegal gains and may be concurrently imposed a fine of less than RMB5,000.

LAWS AND REGULATIONS RELATING TO INTELLECTUAL PROPERTY

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 27 October 2001 and with effect from 1 December 2001 (the Trademark Law has been further revised on 30 August 2013, and will become effective on 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. 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. The infringer shall, in accordance with the regulations, undertake to cease the infringement, take remedial action, and pay damages, etc.

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 took effect from 1 October 2009, 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. Where the infringement of patent is decided, the infringer shall, in accordance with the regulations, undertake to cease the infringement, take remedial action, and pay damages, etc.

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 took effect 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

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(IP) address of that computer. And the principle of “first come, first served” 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.

LAWS AND REGULATIONS RELATING TO LABOUR

EMPLOYMENT CONTRACTS

The Labour Contract Law of the PRC* (中華人民共和國勞動合同法) (the “**Labour Contract Law**”), which was promulgated on 29 June 2007 and took effect from 1 January 2008 by the Standing Committee of the NPC and whose amendments made on 28 December 2012 will take effect on 1 July 2013, governs the relationship between employers and employees and provides for specific provisions in relation to the terms and conditions of an employment contract. The Labour Contract Law stipulates that employment contracts must be in writing and signed. It imposes more stringent requirements on employers in relation to entering into fixed-term employment contracts, hiring of temporary employees and dismissal of employees.

SOCIAL INSURANCE AND HOUSING FUND

Under applicable PRC laws and regulations, including the Social Insurance Law of the PRC* (中華人民共和國社會保險法), which was promulgated on 28 October 2010 and took effect from 1 July 2011 by the Standing Committee of the NPC, and the Regulations on the Administration of Housing Accumulation Fund* (住房公積金管理條例), which was amended by the State Council on 24 March 2002, employers and/or employees (as the case may be) are required to contribute to a number of social insurance funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance, maternity leave insurance, and to housing funds. These payments are made to local administrative authorities and employers who fail to contribute may be fined and ordered to rectify within a stipulated time limit.

PREVENTION AND TREATMENT OF OCCUPATIONAL DISEASE

Pursuant to Regulations on the Prevention and Treatment of Occupational Disease of the PRC* (中華人民共和國職業病防治法), which was promulgated on 27 October 2001 and took effect from 1 May 2002, and was amended on 31 December 2011, for any new/expansion/modification projects, technical modification projects and technology introduction project (hereinafter referred to as “**Construction Project**”) that has high occupational disease exposure, the responsible organisations should, in the feasibility study phase, submit the report for pre-assessment of occupational-health harm to the competent public health authority, which, within thirty (30) days after the receipt of the report stated hereinabove, shall notify the said organisation the written decision thereof. It is not allowed to approve any Construction Project by relevant authorities where the above pre-assessment report has not been submitted or has been denied by the competent public health authority. And the expense of the occupational-disease-prevention facilities for any Construction Project shall be counted into the engineering budget of the Construction Project, and the occupational-disease-prevention facilities should be designed, engineered and put into operation concurrently with the main body of the project. Furthermore, the relevant organisation shall subject the Construction Project to the assessment of the effect of prevention of the occupational-health harm by the matched facilities prior to the check and acceptance of the

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Construct Project by relevant parties. The Construction Project shall not be put into operation until the matched facilities for the prevention of the occupational-health harm are certified by the public health department. Also according to Regulations on the Prevention and Treatment of Occupational Disease of the PRC, the employer should, at its own cost, proceed with the pre-employment/on-job/pre-departure physical examination for the labourers engaged in the occupational-disease-inductive operation and faithfully inform the labourers of the examination result. Besides, the employer is prohibited from assigning the labourers to the occupational-disease-inductive operation before undertaking pre-employment physical examination or assigning the taboo-bound labourers to the taboo operations. In addition, the Employer should also transfer the labourer suffering from the work-related disease found in the occupational health examination to other post. Moreover, the employer is prohibited from invalidating or terminating the labour contract of any labourer not undergoing pre-departure occupational health examination.

LAWS AND REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION

The Environmental Protection Law of the PRC* (中華人民共和國環境保護法) (the “**Environmental Protection Law**”), which was promulgated and became effective on 26 December 1989 by the Standing Committee of the NPC, establishes the legal framework for environmental protection in the PRC. The environmental protection department of the State Council supervises and administers the environmental protection work in the PRC, and establishes national standards for the environmental quality and discharge of pollutants. Local environmental protection bureaus are in turn responsible for the environmental protection work within their respective jurisdictions.

PREVENTION AND CONTROL OF POLLUTIONS

The Law of the PRC on Prevention and Control of Water Pollution* (中華人民共和國水污染防治法), which was amended by the Standing Committee of the NPC on 28 February 2008 and with effect from 1 June 2008, the Law of the PRC on Prevention and Control of Atmospheric Pollution (中華人民共和國大氣污染防治法), which was amended by the Standing Committee of the NPC on 29 April 2000, and took effect from 1 September 2000, and the Law of the PRC on Prevention and Control of Environmental Noise Pollution* (中華人民共和國環境噪聲污染防治法), which was promulgated on 29 October 1996 and took effect from 1 March 1997 by the Standing Committee of the NPC, as well as the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Wastes* (中華人民共和國固體廢物污染環境防治法), which was last revised on 29 June 2013 and took effect from the same day, prescribe the details for the prevention and control of water pollution, atmospheric pollution, noise pollution and solid waste pollution.

CONSTRUCTION PROJECT ENVIRONMENTAL PROTECTION

The Environmental Impact Appraisal Law* (中華人民共和國環境影響評價法) which was promulgated on 28 October 2002 and took effect from 1 September 2003 by the Standing Committee of the NPC, the Administration Rules on Environmental Protection of Construction Projects* (建設項目環境保護管理條例) which was promulgated by the State Council and became effective on 29 November 1998, require enterprise planning construction projects to engage qualified professional institution to provide assessment reports on the environmental impact of such projects. The assessment report must be approved by the competent environmental protection authorities prior to commencement of any construction work. Enterprises shall file an application for examination and acceptance of the environmental protection facilities upon the completion of the construction project. A construction project may be formally put into production or use only if the corresponding environmental protection facilities have passed the acceptance examination.

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LAWS AND REGULATIONS RELATING TO PRODUCTION SAFETY

Pursuant to the Production Safety Law of the PRC* (中華人民共和國安全生產法), which was last revised on 27 August 2009 and took effect from the same day, special equipment that concerns the safety of life or is rather dangerous, the containers of hazardous substances, or transportation tools that any production and business operation entity uses must, according to the relevant provisions of the state, be manufactured by specialised production entities, and may only be put into use after it has passed the detections and tests of those detecting and testing institutions that have been equipped with the professional qualifications for which a certificate for safe use or a mark of safety has been obtained. In addition, the production, business operation, transportation, storage, and use of any dangerous substances or the disposal of or abandonment of dangerous substances shall be subject to the examination and approval as well as the supervision and administration of the relevant administrative departments according to the provisions of the relevant laws and regulations, national standards, or industrial standards.

Pursuant to the Regulations on Safety Supervision of Special Equipment* (特種設備安全監察條例), promulgated on 11 March 2003 and took effect from 1 June 2003 (amended on 24 January 2009 and with effect from 1 May 2009), “**special equipment**” used in the regulations refers to boilers, pressure vehicles (including gas cylinders, same below), pressure pipelines, elevators, lifting appliances, passenger ropeways, large amusement devices and field(factory) inside special motor vehicles, which relate to safety of human lives and have high risks. As required by the Regulations, prior to the putting-into-service of any special equipment or within 30 days after such putting-into-service, units using special equipment shall register with competent departments for safety supervision and administration of special equipment. The registration mark shall be placed or attached to a prominent position of the special equipment. Furthermore, operators and the relevant managerial staff of boilers, pressure vessels, elevators, lifting appliances, passenger ropeways, large amusement devices and field(factory) inside special motor vehicles (referred to as the “**operators of special equipment**”) shall not engage in corresponding operation or management until they have passed the examination organised by the departments for safety supervision and administration of special equipment as required by the State and acquired certificates for operators of special equipment with a nationally unified formula.

HISTORY AND DEVELOPMENT

Overview

Our Company was incorporated in the Cayman Islands with limited liability on 14 June 2013 as the issuer in the Global Offering and the holding company of our Group for the purpose of the Listing. Details of the subsidiaries of our Company are set out in the sections headed “Definitions” in this prospectus and/or “Statutory and General Information” in Appendix V to this prospectus and the paragraph headed “— Corporate development of our major subsidiaries” in this section.

Our business development

Our history can be traced back to 2003 when BPT was established by our chairman, Mr. Lu, and our chief executive officer, Mr. Zhang, to engage in the trading and sale of elastic fabrics. At the time of the establishment, BPT was owned as to 90% by Mr. Lu and 10% by Mr. Zhang. The funding for the establishment of BPT was derived from Mr. Lu’s and Mr. Zhang’s own financial resources.

Mr. Lu started his career and gained his experience in the textile industry when he established Dongguan Runda in 1994 as a sino-foreign joint venture to engage in the manufacturing, production and sale of elastic webbing and Dongguan BPT in 2003 as a wholly foreign owned enterprise to engage in the manufacturing, production and sale of elastic fabrics, respectively. Mr. Zhang started his career in the textile industry when he worked at a textile company in 1995. Mr. Zhang joined Dongguan Runda as a general manager in 1998 (he then left in 1999 and re-joined in 2001) and was subsequently requested by Mr. Lu to take on the additional role as general manager of Dongguan BPT when it was established in 2003. For further details relating to Mr. Lu’s and Mr. Zhang’s experience and background, please refer to the section headed “Directors, Senior Management and Employees — Board of Directors” in this prospectus.

To bring the trading and the manufacturing, production and sale of elastic fabrics business under one business group, and in recognition of the contribution that Mr. Zhang has brought to the growth of the business of Dongguan BPT since its establishment, Mr. Lu decided to dispose of his interest in Dongguan BPT to BPT in 2005 (the “**DBPT Disposal**”). Following completion of the DBPT Disposal in 2005, Dongguan BPT was wholly-owned by BPT, which was then beneficially owned as to approximately 90% and 10% by Mr. Lu and Mr. Zhang, respectively. In 2006, Mr. Lu transferred 5% shareholding in BPT to Mr. Wu (Mr. Lu’s brother-in-law) for nil consideration in recognition of his contribution to the growth in the business of Dongguan BPT (the “**Wu Transfer**”). Mr. Wu was employed by Dongguan Runda since 1995 and he subsequently took on the additional role as deputy general manager of Dongguan BPT in 2003. Following completion of the Wu Transfer, BPT was then beneficially owned as to 85%, 10% and 5% by Mr. Lu, Mr. Zhang and Mr. Wu, respectively in 2006.

Following a review of the related business interest of Mr. Lu in late 2009, Mr. Lu decided to bring his entire related interest in the lingerie materials business under a common shareholding structure (the “**Common Group**”) together with Mr. Zhang and Mr. Wu (the “**Internal Corporate Restructuring**”). One key step of the Internal Corporate Restructuring was the transfer of Dongguan Runda to the Common Group. However, as Dongguan Runda had substantial inter-company loans with other related companies of Mr. Lu at the relevant time, Mr. Zhang and Mr. Wu, as minority shareholders in the Common Group, preferred to invest in the elastic webbing business via a new company instead of Dongguan Runda. Following discussion amongst the three

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

shareholders, Mr. Lu then agreed with Mr. Zhang and Mr. Wu that a new company would be established. Mr. Lu, Mr. Zhang and Mr. Wu were confident that with their previous track records, they will be able to secure customers for the new company. In 2010, Dongguan NHE was established. Dongguan NHE subsequently entered into various assets transfer agreements with Dongguan Runda pursuant to which Dongguan NHE acquired vehicles, machinery and equipment from Dongguan Runda. The operation of Dongguan Runda was subsequently scaled down gradually. For further details relating to such asset transfers, please refer to the paragraph headed “— Corporate development of our major subsidiaries” in this section. As the valuation of Dongguan NHE, being the basis for determining the consideration of the proposed investments by Mr. Zhang and Mr. Wu in Dongguan NHE, could only be conducted after the asset transfers were completed (which were subsequently completed in July 2012) (the “**DNHE Valuation**”), it was agreed among Mr. Lu, Mr. Zhang and Mr. Wu that the ownership of Mr. Zhang and Mr. Wu in Dongguan NHE would only be effected after the completion of the DNHE Valuation and when the parties had reached an agreement on the consideration of Mr. Zhang’s and Mr. Wu’s proposed investments in Dongguan NHE. As a result of the above, the Internal Corporate Restructuring was on-going pending resolution of the DNHE Valuation.

In 2010, we were approached by various professional parties to explore the possibility of listing our lingerie materials business in Hong Kong. Further to the various proposals we received, we then undertook a restructuring plan in preparation for the proposed listing which incorporated part of the plan as originally proposed in the Internal Corporate Restructuring, but with a totally new holding structure established for the purpose (the “**First IPO Restructuring**”). Instead of bringing Mr. Lu’s entire related interest in the lingerie materials business under BPT, as was originally done for Dongguan BPT for the elastic materials business, the First IPO Restructuring required the entire lingerie materials business to be brought under the listing group’s umbrella. Under the First IPO Restructuring, Dongguan BPT was transferred from BPT to BP Investment, an indirect wholly-owned subsidiary of BPT Holdings. Shortly after the completion of the transfer, we were informed by the relevant tax authority in early 2011 that a significant amount of EIT would be payable by BPT arising from the transfer of Dongguan BPT to BP Investment (the “**EIT Payable**”). Upon discovery of the potential EIT Payable, we decided to put on hold the First IPO Restructuring pending a review on (i) why the First IPO Restructuring did not properly account for tax implications; (ii) whether further refinements needed to be done to the First IPO Restructuring to ensure its completeness; and (iii) the confirmation of the ideal listing structure of the lingerie materials business. For details of the corporate development of Dongguan BPT, please refer to the paragraph headed “— Corporate development of our major subsidiaries” in this section. Pursuant to the review process as stated above at the relevant time, BPT applied to the Guangdong Dongguan Intermediate People’s Court (the “**Court**”) for an order to reverse the equity interest of Dongguan BPT from BP Investment to BPT as it was agreed that (i) it would be more tax effective; and (ii) it would not affect the viability of the proposed listing of our lingerie materials business in Hong Kong if the original status quo was maintained. Based on a settlement agreement reached between BPT and BP Investment, the relevant equity interest of Dongguan BPT was then reversed to BPT pursuant to the order of the Court granted in March 2012.

Following a period of review of the First IPO Restructuring proposal, and having further discussed the ideal listing structure of our lingerie materials business in Hong Kong with other professional parties, in mid-2012, we embarked on a revised restructuring plan based substantially on the First IPO Restructuring plan (the “**Second IPO Restructuring**”), with the understanding and comfort that this revised plan would take into account of the various legal, financial and tax implications. Under the Second IPO Restructuring, BPT and its wholly-owned subsidiary, Dongguan BPT, were disposed of to BPT Holdings to avoid incurring EIT as occurred in the First

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

IPO Restructuring, In consideration of the Second IPO Restructuring and following further discussions with these professional parties, the originally envisaged indirect investments by Mr. Zhang and Mr. Wu into Dongguan NHE were completed as part of the Reorganisation. For further details, please refer to the paragraph headed “— Reorganisation” in this section.

Following the aforesaid asset transfers from Dongguan Runda to Dongguan NHE, Dongguan Runda became dormant in 2012. As Mr. Lu subsequently understood from his PRC legal adviser that the relevant PRC authority could revoke the business licence of Dongguan Runda if Dongguan Runda ceases to operate for a consecutive period of six months, he instructed Dongguan Runda to make an application for its deregistration to ensure an organised deregistration of Dongguan Runda. All the relevant legal and administrative procedures for the deregistration were duly completed in August 2013.

In the early stages of our development, our business was primarily focused on the production and sale of elastic fabrics and elastic webbing. Recognising the demand and great potential for lace materials in the lingerie materials market, we commenced our production and sale of lace through Dongguan BPT in 2012.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Over the years, we have developed different types of lingerie materials and expanded our product portfolio from elastic fabrics to include elastic webbing and lace. We have also successfully enhanced our presence in the international lingerie materials market by establishing strategic business relationships with a number of internationally renowned brands in the lingerie industry, including Aimer, Chantelle, Embry Form, Maniform, Marks & Spencer, Spanx, Triumph, Victoria's Secret and Wacoal[^]. Based on the Frost & Sullivant Report, we were the largest lingerie materials manufacturer in the world in terms of sales revenue in 2012.

Our milestones

The following table sets forth some major events and milestones in our Group's development:

Year	Event / Milestone
2003	Established BPT in Hong Kong and Dongguan BPT in the PRC
2004	Commenced our operation at our production plant in Machong Town, Dongguan City, with a gross floor area of approximately 24,000 sq. m. Launched our elastic fabrics products Collaborated with lingerie brands including Aimer, Maniform and Triumph
2005	Collaborated with Embry Form and Marks & Spencer
2007	Collaborated with Victoria's Secret
2008	Collaborated with Chantelle and Wacoal
2009	Completed the construction of phase II of our production plant in Machong Town, Dongguan City, with a gross floor area of approximately 31,000 sq. m.
2010	Established Dongguan NHE in the PRC and launched our elastic webbing products Collaborated with Spanx, a lingerie brand
2011	Completed the construction of phase III of our production plant in Machong Town, Dongguan City, with a gross floor area of approximately 33,000 sq. m.
2012	Launched our lace products Diversified our products and collaborated with Under Armour, a sports brand Completed the construction of phase IV of our production plant in Machong Town, Dongguan City, with a gross floor area of approximately 47,000 sq. m.
2013	Collaborated with Lululemon, a sports brand
2014	Construction of Phase V of our production plant in Machong Town, Dongguan City, with a gross floor area of approximately 35,000 sq. m. completed in first quarter of 2014 and we expect to obtain the completion certificate in the second half of 2014

Note:

[^] brands are arranged in alphabetical order

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Corporate development of our major subsidiaries

As at the Latest Practicable Date, our Group had established a number of operating subsidiaries to carry out our businesses. The corporate development of our major subsidiaries which were material to the performance of our Group during the Track Record Period is set out below.

BPT (HK)

BPT (HK) was incorporated in Hong Kong as a limited liability company on 19 October 2010. As at the date of its incorporation, one share (representing its entire issued share capital of HK\$1.00) was issued and allotted to BPT International, and the shareholding of BPT(HK) has remained unchanged up to the Latest Practicable Date. BPT (HK) commenced its business on 1 January 2011 and is principally engaged in the trading of our elastic fabrics.

Upon completion of the Reorganisation, BPT (HK) became our Company's indirect wholly-owned subsidiary. For details, please refer to the paragraph headed "— Reorganisation" in this section.

New Horizon Elastic

New Horizon Elastic was incorporated in Hong Kong as a limited liability company on 19 October 2010. As at the date of its incorporation, one share (representing its entire issued share capital of HK\$1.00) was issued and allotted to BPT International, and the shareholding of New Horizon Elastic has remain unchanged up to the Latest Practicable Date. New Horizon Elastic commenced its business on 1 January 2011 and is principally engaged in the trading of our elastic webbing.

Upon completion of the Reorganisation, New Horizon Elastic became our Company's indirect wholly-owned subsidiary. For details, please refer to the paragraph headed "— Reorganisation" in this section.

Dongguan BPT

Dongguan BPT was established in the PRC on 24 February 2003 and commenced its business with an initial registered capital of HK\$95,000,000. Dongguan BPT is principally engaged in the manufacturing, production and sale of elastic fabrics and lace.

As at the date of establishment of Dongguan BPT, it was wholly-owned by Rich Chest. The registered capital of Dongguan BPT was gradually increased to HK\$140,555,000 by 7 July 2004.

By an equity transfer agreement entered into between Rich Chest and BPT dated 8 December 2005, Rich Chest transferred its entire equity interest in Dongguan BPT to BPT for a consideration of HK\$96,560,000, which was determined with reference to its paid-up capital as at the date of such transfer. As advised by our PRC Legal Adviser, such equity transfer had been properly and legally completed and duly settled. Upon completion of such equity transfer, Dongguan BPT was wholly-owned by BPT. Subsequent to a series of capital injections by BPT which took place between 2006 and 2010, the registered capital of Dongguan BPT was increased from HK\$140,555,000 to HK\$662,890,000 and fully paid up by 1 February 2013.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

In 2010, we undertook the First IPO Restructuring. With the intention of avoiding uncertainties surrounding the implementation of the new Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises* (關於加強非居民企業股權轉讓所得企業所得稅管理的通知) issued by the State Administration of Taxation on 10 December 2009 with retroactive effect from 1 January 2008 on transfers of offshore holding companies of PRC entities (the “**Tax Avoidance Measures**”), the First IPO Restructuring required that Dongguan BPT be transferred to a new Hong Kong entity, namely BP Investment. On 4 November 2010, BPT and BP Investment entered into an equity transfer agreement pursuant to which BPT agreed to transfer its entire equity interest in Dongguan BPT to BP Investment for a consideration of HK\$295,555,000 (the “**DBPT Transfer**”), which was determined with reference to its paid-up capital as at the date of such transfer. As advised by our PRC Legal Adviser, such equity transfer had been approved by and registered with the relevant PRC authorities. Upon completion of such equity transfer, Dongguan BPT was wholly-owned by BP Investment.

Further to the DBPT Transfer, BPT also ceased its trading operations and was gradually wound down in preparation for its subsequent liquidation. It was intended that the trading operation previously undertaken by BPT would cease and its operation be carried out by BP Investment. For the purposes of winding-down the remaining assets and liabilities of BPT and eventually liquidating BPT, Mr. Lu, Mr. Zhang and Mr. Wu transferred the entire issued share capital of BPT to Mr. Lu Canping (Mr. Lu’s nephew) and Mr. Lu Jianye (Mr. Lu’s cousin) (together, the “**BPT Trustees**”) in the proportion of 99.99% and 0.01%, such interests were held on trust for the original shareholders pending liquidation and the return of capital to the original shareholders by the BPT Trustees. Such trust arrangements were valid and binding among the relevant parties during its existence. Shortly after the DBPT Transfer, and contrary to the intention of the Tax Avoidance Measures, we were advised by the relevant tax authority that the transfer would attract a significant amount of EIT which would be payable by BPT. In view of the potential significant tax liabilities, an application was made to the court in 2011 for reversal of the ownership in Dongguan BPT from BP Investment to BPT, and the equity interest of Dongguan BPT was subsequently reversed to BPT on 10 May 2012 pursuant to the order of the Dongguan Intermediate People’s Court dated 16 March 2012 (the “**Reversal**”). As advised by our PRC Legal Adviser, the Reversal was valid and legally binding on the parties and in compliance with the laws and regulations of the PRC. The Reversal was completed in or around May 2012 and upon its completion, BPT was an investment holding company with no business operations other than its ownership of the entire equity interest in Dongguan BPT.

As part of the Reorganisation, and having taken into account of the significant EIT that would be incurred by BPT if only Dongguan BPT was transferred, BPT and Dongguan BPT were subsequently injected into our Group and the aforesaid trust arrangements with the BPT Trustees were terminated accordingly. For further details, please refer to the paragraph headed “— Reorganisation” in this section.

Dongguan NHE

Dongguan NHE was established in the PRC on 18 May 2010 and commenced its business with an initial registered capital of HK\$50,000,000. As at the date of establishment of Dongguan NHE, it was wholly-owned by New Horizon Investment. The registered capital of Dongguan NHE was subsequently increased to HK\$173,000,000 and fully paid up by 6 March 2013. Dongguan NHE is principally engaged in the production and sale of elastic webbing.

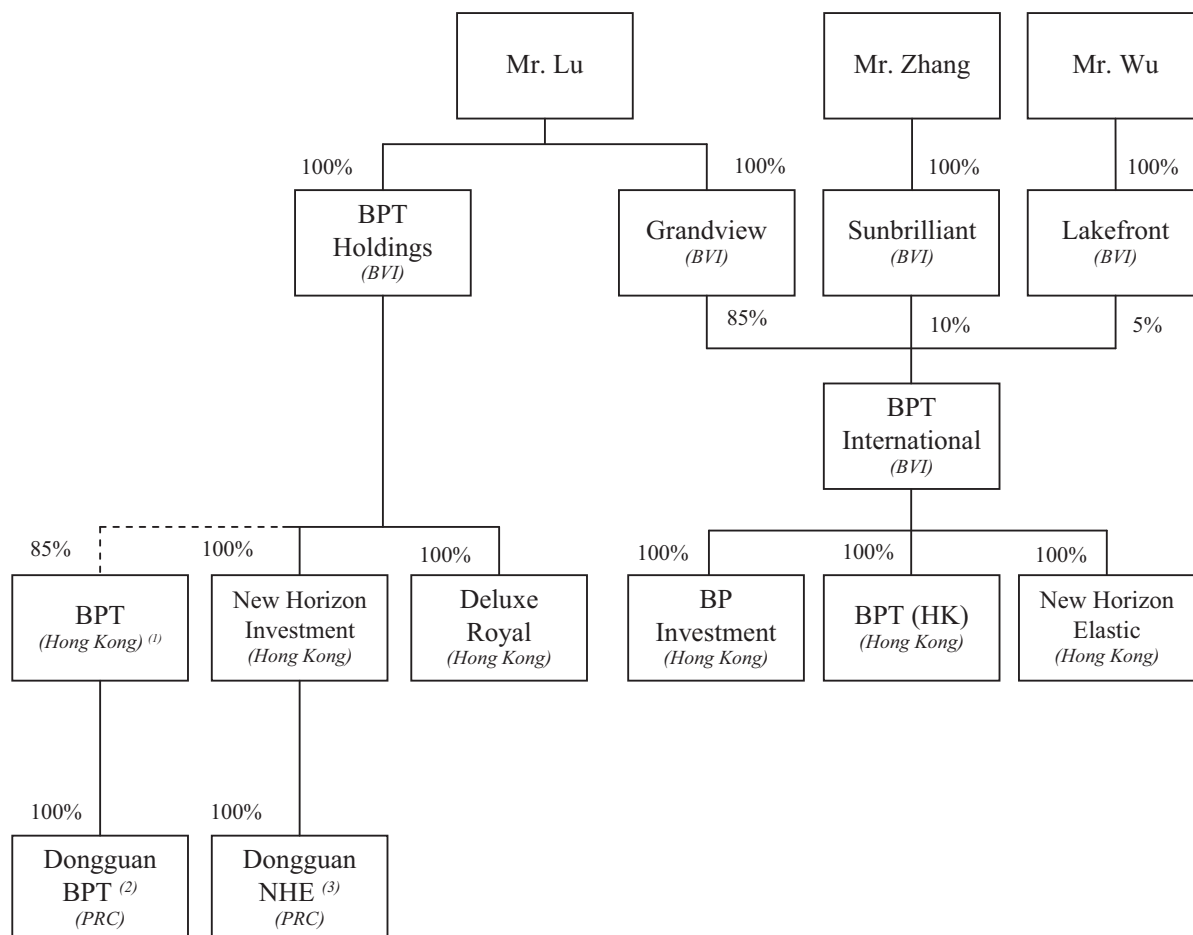
HISTORY, REORGANISATION AND CORPORATE STRUCTURE

By way of three equipment transfer agreements dated 5 February 2011, 28 May 2012 and 16 July 2012 entered into between Dongguan NHE and Dongguan Runda, Dongguan NHE agreed to acquire certain assets (which included vehicles, machinery, electronic equipment and other equipment) from Dongguan Runda at an aggregate consideration of RMB27.7 million, which comprised (i) approximately RMB16.4 million for the first transfer, which was determined with reference to the valuation of the relevant assets as at 31 July 2010 as assessed by an independent valuer; (ii) approximately RMB8.6 million for the second transfer, which was determined with reference to the net asset value of the relevant assets as at 28 May 2012; and (iii) approximately RMB2.7 million, which was determined with reference to the valuation of the relevant assets as assessed by an independent valuer as at 15 March 2012. Such asset transfers were duly settled in July 2012. As advised by our PRC Legal Adviser, such asset transfers had been properly and legally completed and settled.

REORGANISATION

In 2013, we commenced the Reorganisation in preparation of the Listing pursuant to which our Company became the holding company of our Group.

The following chart sets forth the corporate structure of our Group immediately prior to the Reorganisation:



HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Notes:

- (1) BPT was held on trust as to 85% by Mr. Lu Canping (Mr. Lu's nephew) for and on behalf of BPT Holdings, 10% by Mr. Lu Canping for and on behalf of Mr. Zhang, 4.99 % by Mr. Lu Canping for and on behalf of Mr. Wu and 0.01% by Mr. Lu Jianye (Mr. Lu's cousin) for and on behalf of Mr. Wu.
- (2) Dongguan BPT is principally engaged in the manufacturing, processing and sale of elastic fabrics and lace.
- (3) Dongguan NHE is principally engaged in the production and sale of elastic webbing.

Incorporation of our Company and allotment of Shares to Grandview, Sunbrilliant and Lakefront

In preparation of the Listing, our Company was incorporated in the Cayman Islands as an exempted company on 14 June 2013 with limited liability as a holding company of our Group and the issuer in the Global Offering. The initial authorised share capital of our Company was HK\$390,000 which was divided into 39,000,000 ordinary shares of HK\$0.01 each.

On the date of incorporation of our Company, one subscriber share was allotted and issued to Sharon Pierson (the subscriber) and such share was transferred to Grandview at par value on the same date. On the same date, 331,499 Shares, 39,000 Shares and 19,500 Shares were allotted and issued at par value to Grandview, Sunbrilliant and Lakefront, respectively.

On 12 December 2013, 331,500 Shares, 39,000 Shares and 19,500 Shares were further allotted and issued at par value to Grandview, Sunbrilliant and Lakefront, respectively.

Upon completion of the aforesaid transfers and allotments, our Company was held as to 85% by Grandview, 10% by Sunbrilliant and 5% by Lakefront.

Transfer of BPT Holdings to Grandview and transfer of 85% interest in BPT International to BPT Holdings

On 16 January 2014, Mr. Lu transferred the entire issued share capital of BPT Holdings (being 10,000 shares of BPT Holdings) to Grandview in consideration of the allotment and issue of 10,000 shares at par value in Grandview to Mr. Lu, with reference to his shareholding in BPT Holdings as at the date of such transfer, credited as fully paid and settled. On the same date, Grandview transferred its entire 85% interest in BPT International to BPT Holdings in consideration of the allotment and issue of 7,000 shares at par value in BPT Holdings to Grandview, with reference to Grandview's shareholding in BPT International as at the date of such transfer, credited as fully paid and settled.

Upon completion of the aforesaid transfers, BPT Holdings was wholly-owned by Grandview whereas BPT International was held as to 85% by BPT Holdings, 10% by Sunbrilliant and 5% by Lakefront.

Acquisition of remaining interest in BPT International

On 16 January 2014, BPT Holdings entered into a sale and purchase agreement with each of Sunbrilliant and Lakefront, pursuant to which Sunbrilliant and Lakefront agreed to transfer their respective interests of 10% and 5% in BPT International to BPT Holdings, the consideration of which was settled by the allotment and issue of 2,000 shares and 1,000 shares at par value in BPT Holdings, to Sunbrilliant and Lakefront respectively, with reference to their respective shareholdings in BPT International as at the date of such transfer, credited as fully paid and settled.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

As Sunbrilliant and Lakefront had in effect obtained 10% and 5% beneficial interests in New Horizon Investment (the sole shareholder of Dongguan NHE) after the aforesaid transfers and allotments, an additional consideration of approximately HK\$40 million and HK\$20 million were paid by Sunbrilliant and Lakefront to Grandview, respectively, and such consideration was determined with reference to the fair value of the 15% of the issued capital of New Horizon Investment as at 30 September 2013.

Upon completion of the aforesaid transfers, BPT International was wholly-owned by BPT Holdings.

Acquisition of BPT Holdings

On 16 January 2014, our Company entered into a sale and purchase agreement with each of Grandview, Sunbrilliant and Lakefront, pursuant to which Grandview, Sunbrilliant and Lakefront agreed to transfer their respective interests of 85%, 10% and 5% in the issued share capital of BPT Holdings to our Company, the consideration of which was settled by way of the allotment and issue of 331,500 Shares, 39,000 Shares and 19,500 Shares by our Company to Grandview, Sunbrilliant and Lakefront, respectively, with reference to their respective shareholdings in BPT Holdings as at the date of such transfer, credited as fully paid.

Upon completion of the aforesaid transfers, BPT Holdings was wholly-owned by our Company.

Disposal of Deluxe Royal

Deluxe Royal was incorporated in Hong Kong in 2009 and was wholly owned by BPT Holdings prior to the Reorganisation. As Deluxe Royal is inactive and has not engaged in any business activities since its incorporation, with a view to streamlining the corporate structure of our Group, on 12 December 2013, BPT Holdings entered into a sale and purchase agreement with Mr. Lu Huigen, Mr. Lu's elder brother, pursuant to which BPT Holdings agreed to transfer its entire issued share capital of Deluxe Royal to Mr. Lu Huigen for a consideration of HK\$10,000, which was determined with reference to the then share capital value of Deluxe Royal and settled. Upon completion of such transfer, Deluxe Royal ceased to be a member of our Group.

Acquisition of BPT

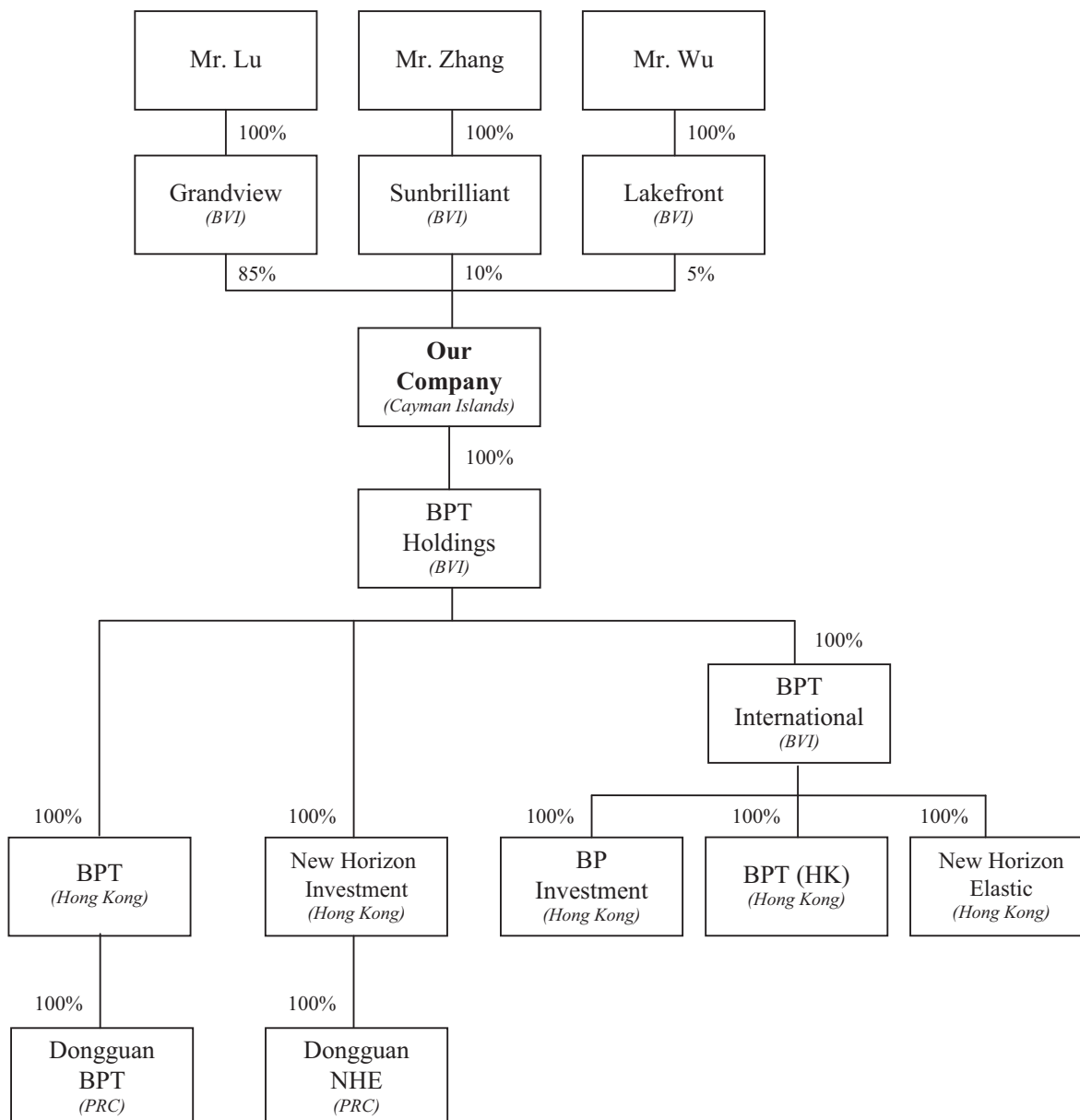
Prior to the Reorganisation, BPT was an investment holding company and was held on trust as to 85% by Mr. Lu Canping (Mr. Lu's nephew) for BPT Holdings (which was wholly-owned by Mr. Lu), 10% by Mr. Lu Canping for Mr. Zhang, 4.99% by Mr. Lu Canping for Mr. Wu and 0.01% by Mr. Lu Jianye (Mr. Lu's cousin) for Mr. Wu.

On 16 January 2014, Mr. Zhang and Mr. Wu (as the beneficial owners and through their trustees Mr. Lu Canping and Mr. Lu Jianye) transferred their respective interests of 10% and 5% in the issued share capital of BPT to BPT Holdings for nil consideration. On the same date, Mr. Lu Canping (as the legal owner) transferred his entire legal interests of 85% in the issued share capital of BPT to BPT Holdings (as the beneficial owner) for nil consideration.

Upon such transfers, BPT was legally and beneficially wholly-owned by BPT Holdings, and the trust arrangements between Mr. Lu, Mr. Zhang, Mr. Wu and Mr. Lu's relatives were terminated accordingly.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The following chart sets forth the corporate structure of our Group immediately after the Reorganisation and prior to the Global Offering:



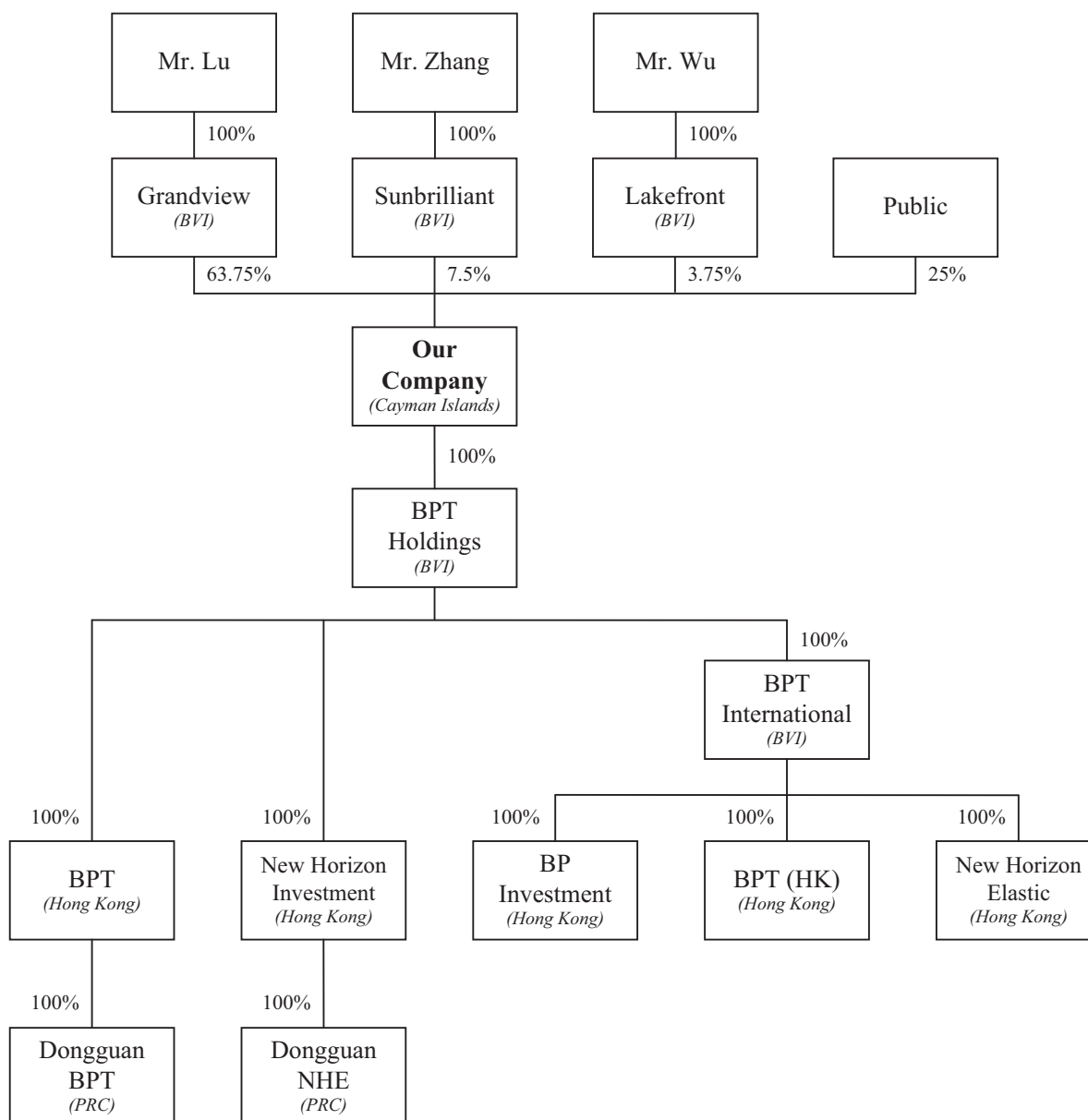
CAPITALISATION ISSUE

On 8 May 2014, our Company increased its authorised share capital to HK\$500,000,000 through the creation of 49,961,000,000 additional Shares. Conditional upon the crediting of our Company's share premium account as a result of the issue of the Offer Shares pursuant to the Global Offering, our Directors are authorised to capitalise an amount of HK\$7,488,300 standing to the credit of the share premium account of our Company by applying such sum towards the paying up in full at par a total of 748,830,000 Shares for allotment and issue to our Shareholders as at 8 May 2014, on a pro rata basis.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

CORPORATE STRUCTURE

The following chart sets forth the corporate structure of our Group immediately following completion of the Global Offering and Capitalisation Issue (assuming the Over-allotment Option is not exercised and taking no account of the options which were granted under the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme):



Save for the interests in the issued share capital of our Company held by Grandview (which in turn is held by Mr. Lu, an executive Director and a Controlling Shareholder), Sunbrilliant (which in turn is held by Mr. Zhang, an executive Director) and Lakefront (which in turn is held by Mr. Wu, an executive Director), which are not considered part of the public float for the purposes of Rule 8.08 of the Listing Rules, 25% of the interests in the issued share capital of our Company will be held in public hands after completion of the Global Offering and Capitalisation

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Issue (assuming the Over-allotment Option is not exercised and taking no account of the options which were granted under the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme).

PRC LEGAL COMPLIANCE

Registration with the SAFE

According to the SAFE Circular 75, a special purpose vehicle means an offshore enterprise directly established or indirectly controlled by PRC domestic residents (legal persons or individuals) for the purpose of carrying out offshore equity financing with the assets or equity interests they hold in domestic enterprises. For establishing and controlling the offshore special purpose vehicles, PRC domestic residents are required to comply with the SAFE Circular 75 registration formalities; and domestic residents who have contributed their assets or shares of a domestic enterprise into an overseas special purpose vehicle, or have raised funds overseas after such contribution, must conduct foreign exchange registration for the modification of the record concerning the overseas special purpose vehicle with the local foreign exchange authority.

Our PRC Legal Adviser has confirmed that Mr. Lu, Mr. Zhang and Mr. Wu had submitted the relevant foreign exchange applications to the local foreign exchange administration department as required under SAFE Circular 75. It is expected that such registration will be completed in the third quarter of 2014. As advised by our PRC Legal Adviser, the relevant beneficial Shareholders are applying for registration in accordance with the applicable regulations on foreign exchange and the instructions of the local foreign exchange administration department. Such registrations are merely procedural in nature and our PRC Legal Adviser is of the view that there will be no material legal obstacle for the relevant beneficial Shareholders to complete such registration.

The M&A Provisions

Under the M&A Provisions which was issued by the MOFCOM and the other five government authorities on 8 August 2006 and implemented on 8 September 2006 and was reissued by the MOFCOM on 22 June 2009, a foreign investor is required to obtain necessary approvals from the MOFCOM or the department of commerce at the provincial level when it (i) acquires the equity of a domestic enterprise or subscribes for the increased capital of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; or (ii) establishes a foreign-invested enterprise through which it purchases the assets of a domestic enterprise and operates these assets or purchases the assets of a domestic enterprise and then invests such assets to establish a foreign invested enterprise (the “**Regulated Activities**”).

As advised by our PRC Legal Adviser, the M&A Provisions are not applicable to our Reorganisation and the Listing does not require the approval from the China Securities Regulatory Commission or the MOFCOM as our PRC subsidiaries are established as wholly foreign-owned enterprise, and there were no Regulated Activities involved in our Reorganisation.

OVERVIEW

We are a one-stop solutions provider of lingerie materials. We were the largest lingerie materials manufacturer in the world in terms of sales revenue in 2012 with a market share of approximately 2.3%, ranking first in the manufacture of elastic fabrics and second in the manufacture of elastic webbing, according to the Frost & Sullivan Report. We are one of the few lingerie materials manufacturers in the world that are able to provide one-stop solutions to lingerie brand owners through our comprehensive product line of lingerie materials, including elastic fabrics, elastic webbing and lace.

We have established long-term and close collaborations with leading lingerie brands including Aimer, Chantelle, Embry Form, Maniform, Marks & Spencer, Spanx, Triumph, Victoria's Secret and Wacoal[^]. Through our strong innovative and product development capabilities, we not only manufacture lingerie materials for these brands, but also jointly develop new lingerie materials and products with the aim of creating new market trends for lingerie products. We believe that our close collaboration with brand owners allow us to not only keep abreast of the latest trend and demand for the different types of lingerie materials, but also allow us to be part of the trend setters and enhance our relationship with the brand owners. As at the Latest Practicable Date, we had business relationships with such leading lingerie brands for a period ranging from five to 10 years.

Depending on the arrangements with lingerie brand owners, we either directly enter into contracts with lingerie brand owners or enter into contracts with their designated OEMs for our products. For contracts entered into directly with lingerie brand owners, such as Aimer, Embry Form, Maniform, Triumph and Wacoal[^], the lingerie brand owners directly place their purchase orders with us for the procurement of our products, such as elastic fabrics, elastic webbing and lace, of which they will further manufacture into lingerie products. For lingerie brand owners which we do not have direct contractual arrangements with, such as Chantelle, Marks & Spencer, Spanx and Victoria's Secret[^], they may instruct their OEMs to place orders with us for our products as these brand owners usually drive the lingerie materials procurement process by selecting their desired lingerie materials suppliers.

We have started to broaden our customer base by expanding into new segments and markets. In the second half of 2012, we established our lace business segment to broaden our product offerings and to enlarge our market share in the global lingerie materials market which usually generates a higher gross profit margin compared to other lingerie materials. Further, given the similarities in the specification and functionality of elastic fabrics and elastic webbing used in lingerie and sportswear, we began to further expand into the sportswear materials market by offering elastic fabrics and elastic webbing to sportswear brand owners or sportswear manufacturers for the production of sportswear such as sports bras, cycling, running and yoga outfits and casual apparels. We began to cooperate with certain well-known sportswear brands such as Under Armour in 2012 and Lululemon in 2013 and will continue to seek for potential collaborations with other sportswear brands.

Our research and development team works with the design departments of lingerie brand owners and lingerie manufacturers to turn their design concepts into new products to adapt to evolving consumer demands after which we may provide the newly developed products to them on an exclusive basis. On the other hand, our research and development team works closely with our major raw materials suppliers, who are leading players in the nylon and spandex industries, to

Note:

[^] brands are arranged in alphabetical order

BUSINESS

develop new fabrics or materials to meet lingerie brand owners' and lingerie manufacturers' specifications. We believe our strong research and development capabilities can assist us in strengthening and maintaining our collaborations with lingerie brands and raw material suppliers.

Our revenue increased from HK\$1,397.1 million for the year ended 31 December 2011 to HK\$1,659.4 million for the year ended 31 December 2013, representing a CAGR of 9.0%. Our profit for the year increased from HK\$205.9 million for the year ended 31 December 2011 to HK\$244.5 million for the year ended 31 December 2013, representing a CAGR of 9.0%.

COMPETITIVE STRENGTHS

We believe the following strengths contribute to our position as a leading manufacturer of lingerie materials in the global lingerie materials market:

Leading position in the global lingerie materials industry

We were the largest manufacturer of lingerie materials in the world in terms of revenue in 2012, ranking first in the global elastic fabrics market for lingerie and second in the global elastic webbing market for lingerie, according to the Frost & Sullivan Report. We are one of the few lingerie materials manufacturers that are able to offer one-stop solutions to lingerie brand owners and lingerie manufacturers through our comprehensive product line of lingerie materials. We have established long-term collaborative relationships with leading lingerie brands including Aimer, Chantelle, Embry Form, Maniform, Marks & Spencer, Spanx, Triumph, Victoria's Secret and Wacoal[^]. Our collaborations with lingerie brand owners allow us to gain market intelligence and differentiate ourselves from other competitors as we are able to produce products different from our competitors' and satisfy the unique needs of customers for high quality lingerie materials, all of which have contributed to our leading position in the global lingerie materials industry.

According to the Frost & Sullivan Report, the sales revenue of the global lingerie materials market is expected to grow from US\$7.5 billion in 2012 to US\$9.5 billion in 2016. Further, the sales revenue of the global elastic fabrics and elastic webbing for lingerie markets is expected to grow from US\$2.1 billion in 2012 to US\$2.7 billion in 2016 and from US\$1.6 billion in 2012 to US\$2.0 billion in 2016, respectively. We believe we are well positioned to expand our market share and grow in the global lingerie materials market.

One-stop solutions provider of a comprehensive range of lingerie materials

We are one of the few lingerie materials manufacturers in the world that are able to provide one-stop solutions to lingerie brand owners. We work closely with lingerie brand owners and lingerie manufacturers to understand and recommend solutions to their design and production processes. We offer a comprehensive product line of lingerie materials to lingerie brand owners and lingerie manufacturers, with a focus in elastic fabrics, elastic webbing and lace. In 2012, elastic fabrics, elastic webbing and lace represented approximately 65.5% of the global lingerie materials market in terms of sales revenue. We present our products as end-products, such as bras and panties, to lingerie brand owners and lingerie manufacturers to provide them with ideas as to how they can use our products to design and assemble their end-products.

Note:

[^] brands are arranged in alphabetical order

As lingerie brand owners and lingerie manufacturers require a wide range of lingerie materials, we believe our diverse product portfolio simplifies their sourcing process. Our one-stop solutions means our customers can order all major lingerie materials from us instead of piecemeal procurement from various suppliers. This centralised procurement system helps lower the inventory levels of our customers and shorten their production lead time by allowing them to commence production upon the delivery of our lingerie materials. At the same time, the centralised procurement system enables the synchronisation of the colours of different lingerie materials such as elastic fabrics, elastic webbing and lace by using the same dye. This would help to avoid any discrepancies in the colour of the different parts of the end product. One-stop solutions also allow us to increase our sales through product bundling by offering several products for sale to one customer. We believe our ability to offer one-stop solutions not only allows us to provide our customers with a flexible lingerie supply chain solution, but also enhances our collaborations and relationships with our customers.

Established long-term relationships with leading lingerie brands and lingerie manufacturers

As a result of our strong innovative and design capabilities, consistent high quality products and ability to execute customers' orders, we have established long-term business relationships with leading lingerie brands. Depending on the arrangements with lingerie brand owners, we either directly enter into contracts with lingerie brand owners or enter into contracts with their designated OEMs. We have direct sales relationships with the lingerie brand owners of Aimer, Embry Form, Maniform, Triumph and Wacoal[^]. For lingerie brands such as Chantelle, Marks & Spencer, Spanx and Victoria's Secret[^], for which we do not have direct contractual relationships, such brand owners may instruct their OEMs to place orders with us for our products. These brand owners usually drive the lingerie materials procurement process by designating their desired lingerie materials suppliers to their OEM. Through closely collaborating with brand owners, we have been able to ingrain our products in certain popular lingerie lines of international lingerie brands.

As at the Latest Practicable Date, we had business relationships with leading lingerie brands for a period ranging between five to 10 years. We believe our close and long-term relationships with our customers and lingerie brands cannot be easily replicated by other lingerie material manufacturers, which has enabled us, and will continue to enable us, to differentiate ourselves from other competitors in the lingerie materials market.

Strong innovative and research and development capabilities

Our research and development team works with the design departments of lingerie brand owners and lingerie manufacturers to turn their design concepts into new products to adapt to evolving consumer demands after which we may provide the newly developed products to them on an exclusive basis. For example, in April 2011, we obtained a patent for a new elastic fabric that we invented, and subsequently entered into an exclusivity arrangement with Victoria's Secret where we agreed to supply the patented elastic fabric exclusively. On the other hand, our research and development team works closely with our major raw materials suppliers, who are leading players in the nylon and spandex industries, to develop new fabrics or materials to meet lingerie brand owners' and lingerie manufacturers' specifications. We believe our strong research and development capabilities can assist us in strengthening and maintaining our collaborations with lingerie brands and raw material suppliers.

Note:

[^] brands are arranged in alphabetical order

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Through our dedication in research and development to produce innovative lingerie materials, we have developed a diversified portfolio of high performance lingerie materials, which focus on quality, comfort and functionality. As at 31 December 2013, our research and development team consisted of 91 design technicians and those are managers or above who have an average of 10 years or above of experience. In recognition of our strong research and development capability, we have been granted the status of “High and New Technology Enterprise” (高新技術企業) since 2010.

Experienced management team and strong corporate culture of innovation and dedication

Our management team consists of Mr. Lu, Mr. Zhang and Mr. Wu, each of whom has over 18 years of experience in the textile industry, and our senior management. We also have young and dedicated senior management team. Our senior management team has an average of over six years of experience in the lingerie materials industry. Each of our five vice presidents, who oversees our sales, production, research and development and human resources departments, has been with our Group for six to 10 years.

Our management team values a strong corporate culture of innovation and dedication. By promoting innovative thinking and fostering career development of our employees, employees are willing to make long-term commitment to our Group, which in turn contributes to our further success. We believe our experienced management team and our strong corporate culture is a key success in the past and will continue to contribute to our growth in the future.

BUSINESS STRATEGIES

We plan to reinforce our position as a leading one-stop solutions provider of lingerie materials in the global lingerie materials market by adopting the following business strategies:

Broaden our customer base by expanding into new segments and markets

By leveraging our expertise in the elastic fabrics and elastic webbing markets, we established our lace segment in the second half of 2012 to further broaden our product portfolio to satisfy customer demands and to enlarge our market share in the global lingerie materials market. The global lace market for lingerie is expected to reach US\$1.6 billion by 2016 and usually generates a higher gross profit margin compared to other lingerie materials, according to the Frost & Sullivan Report. We plan to enlarge our market share in the lace market by increasing our designed production capacity from 4.8 million m. per annum for the year ended 31 December 2013 to 19.1 million m. per annum as at 31 December 2015 by purchasing additional machineries for the manufacture of our lace products. We believe through leveraging our success in and by applying the market intelligence we gained from the elastic fabrics and elastic webbing markets and our close relationships with lingerie brand owners and lingerie manufacturers, we will be able to expand our lace business and increase our competitiveness in the lingerie materials industry. We also believe that we can create synergistic value by establishing a more comprehensive product portfolio and improve product bundling opportunities.

Further, given the similarities in the specification and functionality of elastic fabrics and elastic webbing used in lingerie and sportswear, we plan to further expand into the sportswear materials market by offering elastic fabrics and elastic webbing to sportswear brand owners or sportswear manufacturers for the production of sportswear such as sports bras, cycling, running and yoga outfits and casual apparels. We began to cooperate with certain sportswear brands such

as Under Armour in 2012 and Lululemon in 2013 and will continue to seek potential collaborations with other sportswear brands. While our primary focus will remain in the lingerie materials market, we will continue to enhance our presence in the sportswear materials industry to broaden our customer base and increase our revenue.

Enhance our one-stop solutions

Given the complexity of sourcing various lingerie materials from multiple manufacturers, we believe we enjoy a significant competitive advantage as one of the few lingerie material manufacturers in the world that offer a diversified product portfolio of elastic fabrics, elastic webbing and lace. To further strengthen our competitiveness and customer relationships, we plan to enhance the one-stop solutions available to our customers by expanding our product portfolio and increasing our research and development capabilities to attract our customers to make bundle purchases of more than one type of lingerie material from us. We believe our one-stop solutions will increase our customers' reliance on us, resulting in an increase in our market share in the global lingerie materials market.

Expand our production capacity and streamline and standardise our production process

In order to further increase our market share and to capture business opportunities arising from the growth in the global lingerie materials market, we plan to increase our production capacity by purchasing additional machineries for our new production facility. We completed the construction of our eighth production facility in the first quarter of 2014 and we expect to obtain the completion certificate in the second half of 2014. For the year ending 31 December 2014, we expect to purchase 55, 129 and 11 additional elastic fabrics, elastic webbing and lace machines, respectively. Our expected capital expenditure for the purchase of new machineries for the year ending 31 December 2014 is approximately HK\$108.0 million and will be financed by our cash flows from operations and the proceeds of the Global Offering.

With an aim to making our production process more efficient, we implemented a lean manufacturing production practice and management philosophy centred on increasing production efficiency, improving the quality of products and eliminating waste. Since 2009, we have adopted the lean production practice throughout our production process and going forward, we will continue upgrading and expanding our production machinery and facilities to enhance our production efficiency, reduce consumption costs and increase production capacity.

Further strengthen our research and development capabilities

Our long-term success and growth will largely depend on our ability to improve our existing products and to develop new products that meet customers' current and future needs that keeps abreast of changing market trends. In order to further enhance our research and design capabilities, we plan to establish a new research and development facility at our eighth production facility. The operation of our new research and development facility is expected to commence in 2014 and we also plan to further enhance our research and development capabilities by cooperating with local colleges to recruit more talented college graduates that we believe can contribute and bring fresh ideas to our research and development efforts. We estimate that the establishment of the new facility will increase the number of employees in our research and development team from 91 as at 31 December 2013 to 106 by the end of 2014.

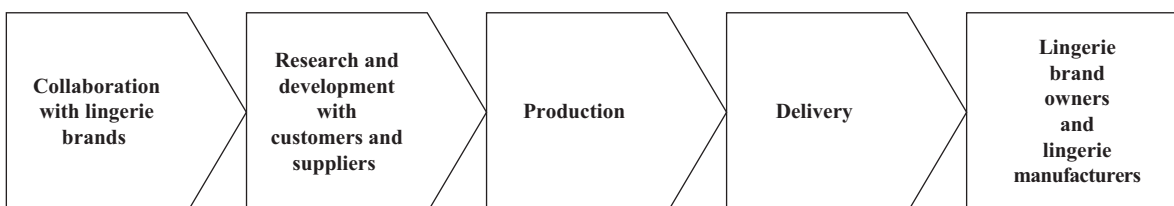
Our new research and development facility will continue its focus on research and development of new products, especially for our lace segment, and enhance overall product quality

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and functionality to cope with customer demands. Our expected total capital expenditure for the new research and development facility is approximately HK\$5.0 million and will be financed by our internal resources.

OUR BUSINESS MODEL

We are a one-stop solutions provider for lingerie brand owners and lingerie manufacturers. We are principally engaged in the manufacture and sale of elastic fabrics, elastic webbing and lace used in the production of lingerie. We work in close partnerships with lingerie brand owners and lingerie manufacturers to apply the market intelligence we gain from them in designing our products. We focus on and specialise in providing solutions to problems that lingerie brand owners and lingerie manufacturer may encounter during their procurement process and the design and assembly of their end-products. The following diagram illustrates our value chain and business model:



COLLABORATIONS WITH LINGERIE BRANDS

We collaborate with lingerie brand owners in various stages of the product development of lingerie products. On one hand, our research and development and marketing team works closely with lingerie brand owners to develop new lingerie materials which support such brands' new product designs and requirements for product functionality. On the other hand, we may introduce our newly developed lingerie materials to them and suggest how our products can be integrated into their lingerie products. Through such close collaboration, we have been able to ingrain our products in several popular lingerie lines of international lingerie brands.

We have established long-term and close collaborations with leading lingerie brands including Aimer, Chantelle, Embry Form, Maniform, Marks & Spencer, Spanx, Triumph, Victoria's Secret and Wacoal[^]. Through our strong innovative and product development capabilities, we not only manufacture products for these brands, but also jointly develop new lingerie materials and products with the aim of creating new market trends for lingerie products. As at the Latest Practicable Date, we had business relationships with such leading lingerie brands for periods ranging from five to 10 years.

We believe our collaborations with lingerie brand owners has enabled us to gain market intelligence and differentiates us from other competitors, which in turn allows us to produce products that meet the unique needs of consumers. When a new product is jointly developed by us and a lingerie brand owner, the brand owner may require us to undertake to supply them with the newly developed materials on an exclusive basis for a certain period of time. For example, we have entered into an arrangement with Victoria's Secret since early 2013 pursuant to which we agreed to exclusively supply a type of elastic fabric to the OEMs designated by Victoria's Secret. If the brand owner does not enter into an exclusivity arrangement with us, we may sell the jointly

Note:

[^] brands are arranged in alphabetical order

developed new product to other brand owners or OEMs. As at the Latest Practicable Date, we had applied for and solely owned a patent for a product which we jointly developed with our customer.

Depending on the arrangements with lingerie brand owners, we either directly enter into contracts with lingerie brand owners or enter into contracts with their designated OEMs for our products. For contracts entered into directly with lingerie brand owners, the lingerie brand owners directly place their purchase orders with us for the procurement of our products, such as elastic fabrics, elastic webbing and lace, of which they will further manufacture into lingerie products. We have direct procurement relationships with the lingerie brand owners of Aimer, Embry Form, Maniform, Triumph and Wacoal[^].

We have indirect relationships with certain lingerie brand owners such as Chantelle, Marks & Spencer, Spanx and Victoria's Secret[^]. Under this arrangement, we enter into contracts with the OEMs designated by these brand owners where such brand owners wish to use our products in their lingerie products, instead of directly entering into contracts with the lingerie brand owners. These brand owners usually drive their lingerie materials procurement process and select their desired lingerie materials suppliers for the production of their lingerie products by their OEMs. Our collaborations with these lingerie brand owners are the same as our collaborations with other lingerie brand owners which we have direct contractual relationships with, save for the difference in the placing of purchase orders with us.

Sales, marketing and customer relationships

Our sales teams maintain frequent and personalised contact with lingerie brand owners and lingerie manufacturers to enhance our responsiveness to their specific needs. Our staff of the sales department visits North America and Europe based offices of the brand owners periodically. As at 31 December 2013, our sales and marketing department consisted of approximately 360 personnel, most of whom are based in the PRC and some are based in Hong Kong.

On top of maintaining close relationships with lingerie brand owners and lingerie manufacturers to secure our revenue stream, we also promote our products by participating in exhibitions and trade fairs. We regularly attend lingerie exhibitions and trade fairs in France, Shanghai and Hong Kong in order to enhance our brand recognition, obtain latest market intelligence and attract new customers.

We also expand our customer base and sales through referrals by lingerie brand owners and lingerie manufacturers. For the years ended 31 December 2011, 2012 and 2013, our marketing and promotion expenses were HK\$4.3 million, HK\$4.2 million and HK\$5.0 million, representing 0.3%, 0.3% and 0.3% of our total revenue, respectively.

COLLABORATIONS WITH SPORTSWEAR BRANDS

Given the similarities in the specification and functionality of elastic fabrics and elastic webbing used in lingerie and sportswear, we began to further expand into the sportswear materials market by offering elastic fabrics and elastic webbing to sportswear brand owners or sportswear manufacturers for the production of sportswear such as sports bras, cycling, running and yoga outfits and casual apparels. We began to cooperate with certain well-known sportswear brands such as Under Armour in 2012 and Lululemon in 2013 and will continue to seek for potential

Note:

[^] brands are arranged in alphabetical order

collaborations with other sportswear brands. Our collaborations with sportswear brand owners are similar to our collaborations with lingerie brand owners. We collaborate and maintain close communications with sportswear brand owners in various stages of our product development process to ensure that our product satisfies the sportswear brand owner's needs. We have indirect relationships with sportswear brand owners as they do not directly place purchase orders with us for the procurement of our products. Under this arrangement, we enter into contracts with the OEMs designated by these brand owners where such brand owners wish to use our products in their sportswear products, instead of directly entering into contracts with the sportswear brand owners. These brand owners usually drive their sportswear materials procurement process and select their desired sportswear materials suppliers for the production of their sportswear products by their OEMs.

DESIGN, RESEARCH AND DEVELOPMENT

Apart from maintaining close relationships with lingerie brand owners to develop new lingerie materials, we also work closely with our major raw material suppliers, who are leading players in the nylon and spandex industries, to jointly develop new fabrics or materials in response to the evolving market demands. When a new material is jointly developed by us and the supplier, we may request the supplier to enter into exclusively arrangements with us for the supply of the jointly developed material, allowing us to capture the market demands for such new material on an exclusive basis and increase our market share in the global lingerie materials market. The costs associated with our collaborations with our suppliers on research and development are generally shared between us and the suppliers. As at the Latest Practicable Date, no intellectual property rights had been applied for through such collaborations.

As at 31 December 2013, our research and development team consisted of 91 personnel who are led by Mr. Shi Jiangzhi (石蔣志), a member of our senior management team who has been an employee of our Group for approximately 10 years. Our research and development staff works closely with lingerie brand owners to ensure that we can obtain the latest market intelligence. In recognition of our strong research and development capability, we have been granted the status of "High and New Technology Enterprise" (高新技術企業) since 2010. Our research and development efforts focus on developing new products to meet consumer's changing demands to differentiate us from other competitors. After evaluating the commercial rationale, we may apply for a patent on the newly developed products whenever practicable. As at the Latest Practicable Date, we had registered for 30 patents in the PRC which are material in relation to our business.

We have established a design studio in Qingdao City in order to capture local talents and innovation since 2012. We plan to cooperate with local universities on the recruitment of talented university graduates. We believe we can create a positive synergy effect and increase our innovation through cultural exchange and the recruitment of new personnel.

To help us keep abreast of market trends, we work closely with a French fashion consulting firm, to assist us in the design of and advise us in the trends, colours and choice of threads and materials for our elastic fabrics, elastic webbing and lace products. We began our collaboration with the consulting firm in May 2012 and the contract was renewed in August 2013 for a term of three years.

We have equipment in our facilities dedicated to test new concepts for end-products and conduct extensive evaluation of our new designs prior to production. We plan to establish a new research and development facility at our eighth production facility. The main focus of our new

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research and development facility will be on the development of different types and designs of our products. The operation of our new research and development facility is expected to commence in 2014 and we estimate that the establishment of the new facility will increase the number of employees in our research and development team from 91 as at 31 December 2013 to 106 by the end of 2014. The main focus of our new research and development facility will be on the elasticity, shaping and handfeel of our products.

For the years ended 31 December 2011, 2012 and 2013, our total expenditure on research and development amounted to HK\$21.5 million, HK\$36.3 million and HK\$38.1 million, respectively, representing 1.5%, 2.6% and 2.3% of our total revenue for the same periods. Our research and development expenses mainly consists of materials costs and staff costs.

PRODUCTS

The following table sets forth the revenue and percentage of total revenue contributed by our products during the Track Record Period:

	Year ended 31 December					
	2011		2012		2013	
	(HK\$'000)	%	(HK\$'000)	%	(HK\$'000)	%
Elastic fabrics	938,119	67.1	928,821	66.2	1,075,977	64.8
Elastic webbing	458,985	32.9	473,706	33.7	563,511	34.0
Lace	—	—	799	0.1	19,959	1.2
	1,397,104	100.0	1,403,326	100.0	1,659,447	100.0

Elastic fabric

Elastic fabric is a synthetic fabric that stretches and is made from synthetic fibres such as nylon and spandex. By combining different fibre mixtures and using specific knitting methods, our elastic fabrics can carry different features such as shaping, anti-bacterial and quick dry. Our elastic fabric products can generally be divided into two categories, namely warp knitted and weft knitted.



Elastic webbing

Elastic webbing is generally made from synthetic fibres such as nylon and spandex. Elastic webbing is a main accessory for lingerie production and is commonly used as shoulder straps and waistbands. Our elastic webbing products can generally be divided into two categories, namely woven and knitted.



Lace

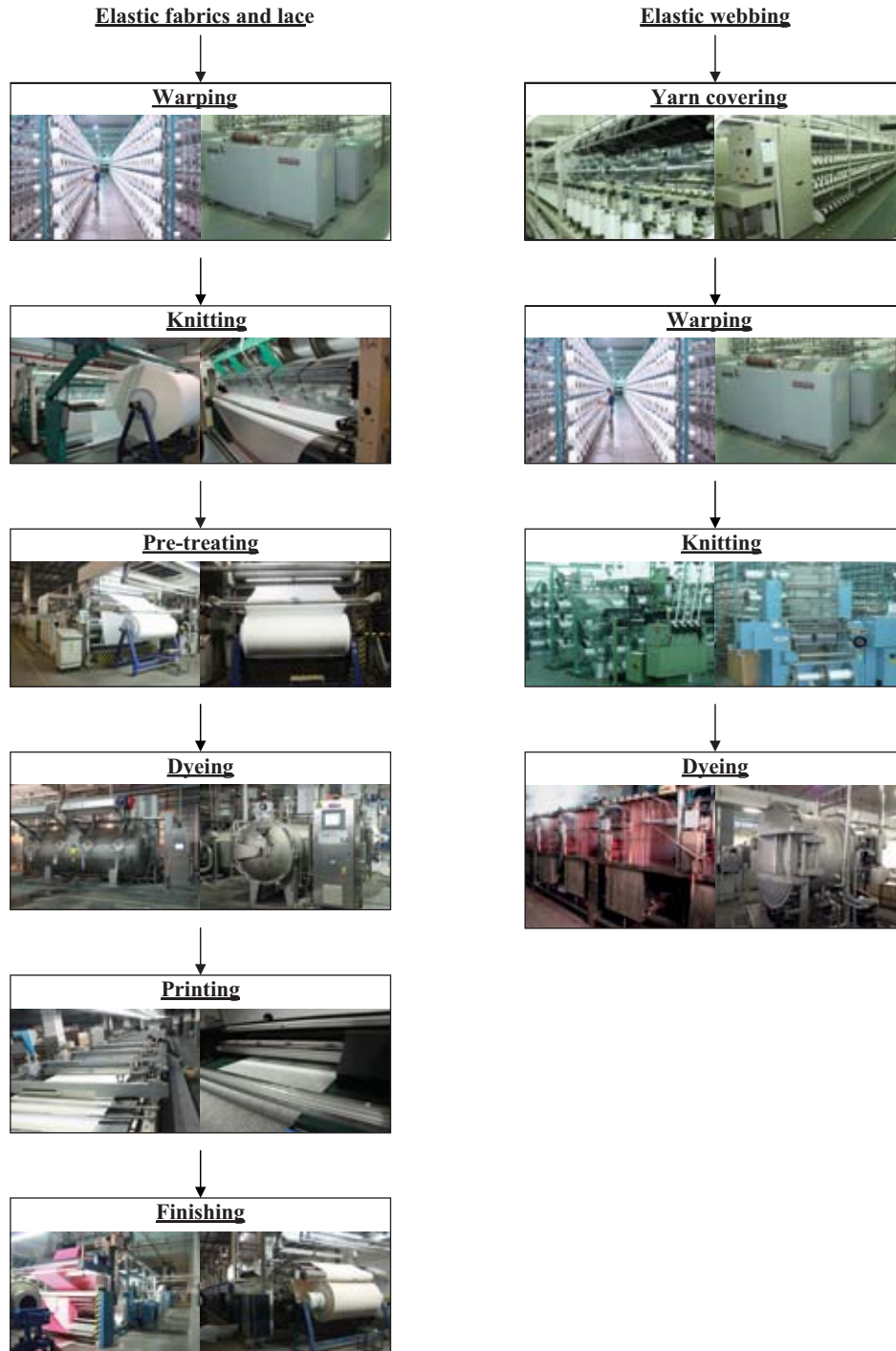
We began to expand our business into the lace industry in the second half of 2012 as lace usually generates a higher gross profit margin compared to other lingerie materials. Lace is a fabric patterned with open holes in the work. Lace is an important material for lingerie that can be manufactured in different colours and patterns. It is commonly used for decorative purposes for lingerie. Our lace products are generally made from synthetic fibres such as nylon and spandex. Lace can generally be divided into four types, namely leavers lace, raschel lace, jacquard lace and textronic lace of which we are able to produce three of them, namely raschel lace, jacquard lace and textronic lace.

**PRODUCTION**

We manufacture most of our elastic fabrics, elastic webbing and lace at our own manufacturing facilities. During the Track Record Period, we also outsourced a small portion of the manufacturing of our products to contract manufacturers. In general, we recorded higher sales during the second half of the year.

Production process

Our production process is capital intensive as it is highly mechanised. We process nylon and spandex into elastic fabrics, elastic webbing and lace. The following diagram illustrates the production process of our elastic fabrics, elastic webbing and lace:



Production time from raw material to finishing for elastic fabrics and lace will be approximately two to three weeks and for elastic webbing will be approximately one week.

Yarn covering

This process is specific to the production of elastic webbing, which combines two or more types of yarns. Such composite yarn is made of a central part called the core and an outside part called the cover. The spandex or elastic core is given a cover to prevent uneven dyeing.

Warping

The composite yarn created after the yarn covering process is wrapped around the warping axis based on the specified length, width and tension. This process prepares the yarn for the knitting process.

Knitting

Samples of raw materials, such as nylon and spandex, are first checked by our quality control staff to ensure their quality standards before production. Cones of synthetic yarn, after winding, are then arranged in the cylindrical knitting machines for knitting. The knitted greige fabric, elastic webbing or lace is then inspected by the quality control staff before they are transported to the pre-treating process.

Pre-treating

The pre-treating of greige fabrics and lace is an important process to ensure perfect dyeing. Open-width washing machines or solvent scouring machines are often used to soften the fabric and remove spinning oil or lubricants added to the greige fabric, elastic webbing or lace during the knitting process. Such impurities must be removed before dyeing to prevent streaks, spots and uneven dyeing. Stenter machines are then used to pre-set the scoured greige fabric, elastic webbing or lace at high temperatures to reduce creases.

Dyeing

The pre-treated greige fabric or lace is dyed in beam or jet dyeing machines. Different chemicals and dyes are added to the dye bath, which will be heated at high temperatures to strengthen the interaction between the dye and the product. Dyed products will then be dried and sent to our quality control department for inspection. Elastic fabrics, elastic webbing and lace that do not require printing will then process through to the finishing step.

Printing

Customers submit pre-designed patterns to our design studio of which we make into print screens. These screens are either flat, digital or for gold stamping depending on the design specifications. Fabrics are laid under the screens and sent through the printing machine. We offer acid ink, pigmented ink, matte paste, reactive ink and hot stamping foils in gold or silver to our customers for printing. Depending on the printing technique used, the printing process is then finished by steaming, washing or drying.

Finishing

The elastic fabrics and lace are then finished by treatment at high temperatures to meet customers' requirements on the width, weight and shrinkage allowances of each order using stenter

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machines. The products are then processed using handfeel machines to smooth out the products, diminish roughness and to give the products a shine and fine texture. Special treatments such as moisture management and antibacterial treatment may also be applied during the finishing process depending on the customer's request. The products are then inspected, packed and shipped to our customers.

Production facilities and capacity

During the Track Record Period, all production activities carried out by us were conducted at our production facilities, all of which are located in Dongguan City, Guangdong Province, the PRC. We currently have a total of eight production facilities with an aggregate gross floor area of approximately 218,449.6 sq. m., of which five phases were constructed by ourselves and three were rented by us. The following table sets forth the number of machines, designed capacity, actual output and utilisation rates of our production facilities during the Track Record Period:

Year ended 31 December												
2011				2012				2013				
	Number of machines	Designed capacity (million m.) ⁽¹⁾	Actual output (million m.)	Utilisation rate (%) ⁽²⁾	Number of machines	Designed capacity (million m.) ⁽¹⁾	Actual output (million m.)	Utilisation rate (%) ⁽²⁾	Number of machines	Designed capacity (million m.) ⁽¹⁾	Actual output (million m.)	Utilisation rate (%) ⁽²⁾
Elastic fabrics	173	31.7	22.7	71.8	190	39.9	22.8	57.1	235	44.5	28.9	64.8
Elastic webbing	773	779.7	554.1	71.1	775	794.3	563.9	71.0	801	815.8	667.2	81.8
Lace	3	0.0 ⁽³⁾	—	—	9	2.6	0.0	0.0	14	4.8	1.2	25.4

Notes:

(1) The designed capacity is determined based on the management's estimate of the amount of products that a production base or knitting machine is capable of producing on an annual basis and is based on factors which affect normal operating limits such as the capacity of equipment to process a material, the type of product produced, the variability of and availability of raw materials, energy and water and regular and periodic maintenance. The designed capacity of each product type is derived on the assumption that the production is operated 24 hours per day and 330 days per year and calculated by the number of machines on the basis of weighted average by months.

(2) Utilisation rate of each product type is derived by dividing the actual output by the designed capacity.

(3) There was approximately zero designed capacity of lace for the year ended 31 December 2011, as we purchased the lace machines in December 2011.

During the Track Record Period, our designed capacity increased as we purchased additional machineries to cater for the increase in demand of our products. In general, it takes three to nine months from the time we place orders for our machineries until our new production capacity becomes operational as suppliers require time to deliver, help us install and fine-tune the machines before our machines can be used for large-scale production. We did not reach full utilisation rate during the Track Record Period as we continuously purchased additional machineries throughout the Track Record Period in anticipation for our future growth and increase in sales volume.

Outsourced manufacturing

During the Track Record Period, we outsourced a small portion of our production during the peak seasons of our production during the year as we reached full utilisation. In addition, we outsourced the production of lace since we launched our lace segment in the second half of 2012 as most of our lace machineries were being calibrated and tested for large-scale production. We also used most of our machineries for research and development and sampling purposes in the initial stages of the launch of our lace segment. We engage manufacturers, who are mainly located in Guangdong Province, to perform various processing steps, which primarily include the knitting of our products. We select contract manufacturers by evaluating several criteria, including their

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ability to produce high-quality products according to our specifications and contracted volumes, performance, pricing and experience, among other factors. We provide nylon, spandex and our design and specifications to our contract manufacturers. We enter into individual purchase orders with our contract manufacturers which sets out the quantity, specifications, price and delivery arrangements. We also require certain contract manufacturers to enter into confidentiality agreements with us to protect our designs. We expect outsourcing to OEMs for the manufacture of products will gradually decrease as we expand our production capacity. For the years ended 31 December 2011, 2012 and 2013, our total sub-contracting fee amounted to HK\$14.8 million, HK\$15.6 million and HK\$14.2 million, respectively, representing 1.6%, 1.6% and 1.3% of our total cost of sales, respectively.

EXPANSION PLANS

In view of the expected increase in demand for our products, our Group will engage in expansion projects and upgrade our equipment to enhance our production efficiency and competitiveness.

Our ninth production facility (namely phase VI)

We plan to construct our ninth production facility (namely phase VI), which will have a gross floor area of 34,858.0 sq. m.. Our ninth production facility will be built on the same plot of land as our eighth production facility, of which we have already obtained the land use right for. Our estimated capital expenditure on the construction of the ninth production facility is HK\$101.3 million of which HK\$1.3 million was incurred for the year ended 31 December 2013, primarily for the pre-construction of the land and HK\$100.0 million will be incurred for the year ending 31 December 2015. It is expected that the construction of our ninth production facility will commence in 2015 and our ninth production facility will increase the gross floor area of our production facilities from 218,449.6 sq. m. as at the Latest Practicable Date to 253,307.6 sq. m. by 31 December 2015.

Machineries

We also plan to expand our production capacity by purchasing additional machineries. The following tables set forth the number of additional machineries we plan to purchase, the estimated investment cost for each of the years ending 31 December 2014 and 2015 and our estimated designed capacity as at year end:

	Year ending 31 December					
	2014			2015		
	Addition to number of machines	Additional investment cost (HK\$ million)	Estimated designed capacity as at year end (million m. per annum)	Addition to number of machines	Additional investment cost (HK\$ million)	Estimated designed capacity as at year end (million m. per annum)
Elastic fabrics	55	20.5	56.8	75	29.4	69.1
Elastic webbing . . .	129	29.9	975.9	129	29.9	1,116.3
Lace	11	57.6	14.2	10	53.2	19.1
Total	<u>195</u>	<u>108.0</u>	<u>1,046.9</u>	<u>214</u>	<u>112.5</u>	<u>1,204.9</u>

Lace

As part of our strategic development and our plan to enhance our position as a one-stop solutions provider for lingerie brand owners by diversifying our product portfolio, our expansion plans for the years ending 31 December 2014 and 2015 will primarily focus on our lace segment. We plan to acquire 11 and 10 new lace machines at expected total costs of HK\$57.6 million and HK\$53.2 million for the same periods, respectively, which will increase our annual designed production capacity of lace products to 19.1 million m. as at 31 December 2015. Our investment cost in lace machineries represents approximately 53.3% and 47.3% of our expected total investment cost in machineries for the years ending 31 December 2014 and 2015, respectively. Up to the Latest Practicable Date, we placed orders for 10 new lace machines which we paid a total deposit of HK\$30.4 million for in 2014 and we plan to settle the remaining purchase price by the proceeds from the Global Offering.

Elastic fabrics and elastic webbing

To solidify our leading position in the elastic fabrics and elastic webbing markets, we plan to purchase additional machineries to increase our production capacity in these two segments. The increase in production capacity will allow us to increase our sales by catering the expected increase in demand of our products and in turn allow us to increase our market share. Our investment cost in elastic fabrics machines represents approximately 19.0% and 26.1%, and our investment cost in elastic webbing machines represents approximately 27.7% and 26.6%, of our expected total investment cost in machineries for the years ending 31 December 2014 and 2015, respectively. Up to the Latest Practicable Date, we placed orders for 57 new elastic webbing machines which we paid a total deposit of HK\$1.5 million for in 2014 and we plan to settle the remaining purchase price by the proceeds from the Global Offering.

Utilisation

In general, it takes three to nine months from the time we place orders for our machineries until our new production capacity becomes operational as suppliers require time to deliver, help us install and fine-tune the machines before our machines can be used for large-scale production. We believe our expansion plan above will cater for the expected increase in the demand of our products in 2015 and in the future. We plan to increase our production capacity by implementing the abovementioned expansion plan as we expect our utilisation rate to increase or reach full utilisation as a result of the increase in our sales and productions in 2015 and the future.

Impact of our expansion plan

We believe we will be well-positioned to increase our market share in the lingerie materials market through expanding our production capacity. According to the Frost & Sullivan Report, the total sales volume of the global elastic fabrics, elastic webbing and lace for lingerie markets are expected to reach US\$2.72 billion, US\$1.97 billion and US\$1.6 billion by 2016, respectively. In light of our expertise and collaborations with lingerie brand owners and our comprehensive product portfolio, we believe we are well-positioned to enlarge our market share in the above markets.

In light of our expertise and collaborations with lingerie brand owners in the elastic fabrics and elastic webbing markets, the upward trend of our sales in the lace segment during the Track Record Period and the fragmented nature of the lace market, we believe we will compete favourably in and generate higher sales from the lace market. As we expand into the lace market, we expect the

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revenue and profit generated from our lace segment to contribute a higher percentage of our total revenue and profit. Given that lace usually generates higher gross profit margin, ranging from 40% to 60%, compared to elastic fabrics and elastic webbing, we believe our overall gross profit margin will also increase as we expand into the lace market.

We expect to fund our abovementioned expansion plan with part of the net proceeds from the Global Offering for the year ending 31 December 2014 and 2015. As we increase our production capacity and expand our product portfolio, we believe we will benefit from increased economies of scale and the synergy effect created between our products, and enhance our position as a one-stop solutions provider of lingerie materials. Additionally, we expect that our outsource cost will gradually decline as we expand our production capacity. After our expansion, our working capital needs will increase due to the increased scale of operation. In the event that we fund our capital expenditure of our expansion by using proceeds from new bank loans, the net cash generated from financing activities will increase and the finance cost will increase accordingly.

Future demand of our products and increase in market share

Based on our (i) leading position in the global lingerie materials market; (ii) position as a one-stop solutions provider of a comprehensive range of lingerie materials; (iii) long-term relationships with leading lingerie brands and lingerie manufacturers; and (iv) strong innovative and research and development capabilities, our Directors are of the view that we will be able to increase our market share through the implementation of our above expansion plan. Our Directors are also of the view that there will be sufficient demand for our products which warrant our expansion plan based on (i) the increase in our sales by 18.3% from the year ended 31 December 2012 to 31 December 2013, which is much more than three times higher than the growth rate of the global lingerie materials market of 5.6% during the same period; and (ii) the purchase orders we have received so far in 2014.

PROCUREMENT

Raw materials

The primary raw materials used in our production are nylon and spandex. In addition to nylon and spandex, we also source dyes from our suppliers. For the years ended 31 December 2011, 2012 and 2013, our total cost of raw materials consumed accounted for 66.6%, 62.0% and 59.9% of our total cost of sales, respectively. During the Track Record Period, we purchased our raw materials from the PRC, Taiwan, Hong Kong and overseas suppliers.

The prices of our major raw materials remained relatively stable during the Track Record Period. For further details of the price trend of nylon and spandex during the Track Record Period, please refer to the section headed “Industry Overview — Prices of Raw Materials for Production” in this prospectus.

Suppliers

Our suppliers are primarily manufacturers and sourcing agents of nylon and spandex based in the PRC, Taiwan and Hong Kong. We have established long-term relationships with our major raw materials suppliers, who are leading suppliers in the nylon and spandex industries. As at the Latest Practicable Date, we had business relationships with our five largest suppliers for periods ranging from four to 10 years. We do not enter into long-term supply agreements with our raw material suppliers but place individual purchase orders for our raw materials as we believe this enables us to

source high quality raw materials at competitive prices available in the market. We discuss with our suppliers on the expected pricing and volume on a quarterly basis. The credit period of our purchases ranges from 30 to 90 days from the end of the month of delivery and we normally settle our purchases in RMB. We may also use bills to settle our purchases which generally ages within 90 days. Our suppliers generally bear the delivery costs and any losses which we may incur due to any delays in delivery or product defects caused by them.

We carefully select our suppliers and require them to satisfy certain evaluation and assessment criteria. In selecting a new supplier, we take into account factors such as the quality of its products and technological know-how of the supplier, the purchase price and our previous dealings with it. We also evaluate our current suppliers' performance from time to time and eliminate suppliers who fail to meet our standard from our suppliers list and add in new qualified suppliers. Once they become our suppliers, we conduct regular assessments to ensure that they fulfil our requirements on quality control. In particular, our procurement team would carry out on site evaluations at the premises of our main suppliers, and assess their production capacity, so as to ensure that the production capacity of the respective suppliers are sufficient to meet our production and future development needs, and at the same time maintain the quality of the products and materials from the source of supply.

We consider that it is important to maintain good relationships with suppliers and, where possible, diversify our supplier base so as to avoid disruptions in raw material supply. Synthetic fibres such as nylon and spandex are staple goods that are readily available in the local market. As at the Latest Practicable Date, we had not experienced any material difficulties in obtaining any of our raw materials to meet production demands in a timely manner and had not had any material disputes with our suppliers. We conducted a sensitivity analysis to determine our exposure to changes in our cost of raw materials. If our cost of raw materials decreased/increased by 5% with all other variables held constant, our profit for the years ended 31 December 2011, 2012 and 2013 would have increased/decreased by HK\$6.9 million, HK\$6.1 million and HK\$7.3 million, respectively, based on the ratio of net profit to cost of sales for the same periods.

For the years ended 31 December 2011, 2012 and 2013, purchases from our five largest suppliers, which are all Independent Third Parties, accounted for approximately 51.2%, 46.4% and 51.4% of our total purchases, respectively, and purchases from our largest supplier accounted for 24.0%, 20.4% and 22.1% of our total purchases, respectively. During the Track Record Period, our five largest suppliers generally granted us a credit term of 30 to 90 days from the end of the month of delivery and we settled the purchase price through bank transfer or providing a letter of credit.

As at the Latest Practicable Date, none of our Directors, their associates or any Shareholders who, to the knowledge of our Directors, owned more than 5% of our share capital, had any interest in any of our five largest suppliers.

Machinery

The major equipment used in our production includes knitting, dyeing and stenter setting machines. The machines that we use in our production process are mainly purchased from overseas suppliers and imported from Germany. We generally finance our capital expenditure on machineries through instalment loans from banks over a period of time. The warranty period for our equipment and machinery is normally one to three years after which our machinery supplier will provide after-sales services with a fee.

CUSTOMERS

Depending on the arrangements with lingerie brand owners, we either directly enter into a contract with lingerie brand owners or enter into contracts with their designated OEMs for our products. Our indirect customers are primarily lingerie brand owners such as Chantelle, Marks & Spencer, Spanx and Victoria's Secret[^] and such brand owners may instruct their OEMs to place orders with us for our products. Our direct customers are primarily lingerie manufacturers in Hong Kong and the PRC who use our products to produce lingerie for their own brands and retailers, such as Aimer, Embry Form, Maniform, Triumph and Wacoal[^], or for sale to other brands or retailers.

For the years ended 31 December 2011, 2012 and 2013, sales to our five largest customers accounted for approximately 31.5%, 29.3% and 30.6% of our revenue, respectively, and sales to our largest customer accounted for 12.7%, 11.3% and 13.9% of our revenue, respectively. As at the Latest Practicable Date, our business relationships with our five largest customers ranged from six to nine years. Two of the abovementioned lingerie brand owners who are our direct customers were also our top five customers during the Track Record Period. The remaining top five customers during the Track Record Period were OEMs.

As at the Latest Practicable Date, none of our Directors, their associates or any Shareholders who, to the knowledge of our Directors, owned more than 5% of our share capital, had any interest in any of our five largest customers. During the Track Record Period, none of our suppliers are also our major customers.

Principal contractual terms and credit terms

We enter into individual sales orders with our customers for sales of our products. The terms included in these sales orders usually include the specifications of the product, unit price, volume, delivery and payment terms. We typically require new customers to pay us before we commence production. We generally grant credit periods of 60 to 90 days from the end of the month in which we deliver our products to our major customers. Our sales orders with our customers provide for mutually agreed selling price (which we consider on a cost plus basis) and do not provide for price adjustment mechanisms.

Delivery arrangements

We are responsible for the delivery of our products to customers, as well as the cost of delivery and transportation. In general, for sales to overseas customers, delivery and the transfer of risks takes place when we deliver our products to the agreed port, which is normally in Hong Kong. We have a delivery team to mainly cover delivery within the Guangdong Province, the PRC and to Hong Kong. We outsource the deliveries to distant parts of the PRC to third-party logistics service providers. We enter into service contracts with such logistics companies on an individual basis. For the years ended 31 December 2011, 2012 and 2013, our transportation costs amounted to HK\$17.9 million, HK\$19.0 million and HK\$19.8 million, representing 1.3%, 1.4% and 1.2% of our total revenue, respectively. During the Track Record Period, we did not experience any material disruption to our delivery arrangements and we did not suffer any material losses or pay any compensation as a result of delays in delivery of our products by the logistics companies engaged by us.

Note:

[^] brands are arranged in alphabetical order

After-sale services, product returns and warranty

We generally do not provide warranty for our products. We believe it is important to provide timely and specialised after-sale services to assist our customers and lingerie brand owners to resolve any problems or concerns they have in their production process. In addition to confirming orders and product specifications with our customers, our sales department is also responsible for maintaining close communications with our customers after the delivery of our products to ensure that we can respond promptly to any problems our customers may have and to derive a solution to such problems effectively. We have set up standard written procedures to ensure responsible and prompt response to customers' complaints. According to our written procedures, our staff in the sales department are required to immediately complete a customer complaint form for our quality control department upon receiving a complaint. Our quality control department then verifies the details of complaint with other relevant departments and derives a plan to resolve the issue. For the years ended 31 December 2011, 2012 and 2013, our sales returned represented 0.9%, 1.0% and 1.2% of our total revenue, respectively.

During the Track Record Period and up to the Latest Practicable Date, our Group had not received any material complaints and claims from our customers in relation to the quality of our products.

QUALITY CONTROL

We believe reliable delivery of quality products to our customers is critical to our success. Accordingly, we have implemented quality control procedures throughout our production process, from the purchase of raw materials through to packaging. We believe we are able to produce high quality products as a result of our stringent quality control measures.

We have strict quality control measures in each stage of our production process:

<i>Suppliers</i>	We evaluate our suppliers from time to time and conduct on site assessment at the premises of our main suppliers. Please see the paragraph headed “— Procurement — Suppliers” in this section.
<i>Purchase of raw materials</i>	Sample tests are conducted prior to the confirmation of orders to ensure quality. Sample tests are also carried out when raw materials arrive at the factory.
<i>Production</i>	At each stage of our production process, comprehensive tests and research analysis on the quality of the semi-finished and finished products are conducted using international quality standards, with a view to ensuring that customers' specifications are adhered to.
<i>Outsourced manufacturer</i>	We select contract manufacturers by evaluating several criteria, including their ability to produce quality products and experience. Please see the paragraph headed “— Production — Outsourced manufacturing” in this section.

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We believe that our products are widely recognised for their quality in the lingerie materials industry, both within and outside the PRC. The following table sets forth details of the major certifications we have applied for and received in relation to our achievements in quality control:

<u>Accreditation</u>	<u>Issuing organisation</u>	<u>Area of accreditation</u>	<u>Date of issue</u>
ISO9001:2008	SGS United Kingdom Ltd.	Quality assurance	6 June 2011
Oeko-Tex Standard 100	Testex	Quality assurance	4 July 2013

The Oeko-Tex Standard 100 is widely used in the textile industry as a uniform global standard for testing and certification. The Oeko-Tex Standard 100 tests harmful substances at all stages of production, including raw materials, intermediate products, and end products. Only manufacturers who comply with strict testing and inspection procedures and provide verifiable quality assurance are allowed to place the Oeko-Tex label on their products.

Our quality control standards have been certified by a number of brand owners which allow us to conduct quality testing on fabrics in our own laboratories without the need to engage a third party laboratory. Our quality control laboratory has been certified by certain lingerie brand owners such as Marks & Spencer. In addition, some major customers send their quality control staff to stay at our production facilities to monitor the quality of our products and production process.

As at 31 December 2013, there were 231 staff in our quality control team. Our quality control department is headed by Ms. Wang Yafeng (王亞鳳), who has a master's degree in textile chemistry and dyeing and finishing engineering with eight years of experience in the lingerie materials industry.

INVENTORY CONTROL

We keep a wide range of different raw materials as our inventory as we aim to produce a wide range of unique and innovative products for our customers. Our inventory consists of raw materials, work in progress and finished goods. We had inventories of HK\$231.4 million, HK\$230.6 million and HK\$317.9 million as at 31 December 2011, 2012 and 2013, respectively. Our storage facilities are located at our production base.

We operate a continuous production cycle by maintaining an average inventory level of raw materials to meet approximately three months of production demand to manage any shortage, delay in supply of and fluctuations of prices of raw materials. We monitor our inventory levels through our self-developed ERP system which enables us to obtain real-time information on our inventory levels and evaluate whether our inventory levels can cater our projected sales. Our appointed staff conducts stock take at our production base on a monthly basis to monitor our inventory levels. Our production manager is responsible for maintaining communications with the purchasing and logistics department on a regular basis to ensure a sufficient level of raw materials for production.

We believe our raw materials are not obsolete and slow moving and do not have expiration dates. We carry out an inventory review and an ageing analysis on a regular basis. We make provision for obsolete and slow-moving inventories of raw materials and finished goods that are no longer suitable for use in production or sale, respectively. A number of factors including historical and forecast consumption of our raw materials, marketability of our products, are taken into account when we consider whether to make appropriate provision. We normally make full provision for inventories, which are aged over two years and at the same time, have also been

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identified with slower or no usage or sale and deteriorated marketability. We made allowance for obsolete inventories of HK\$6.4 million, HK\$7.4 million and HK\$6.3 million for the years ended 31 December 2011, 2012 and 2013, respectively.

INFORMATION SYSTEM

Our ERP system integrates various information in relation to, among others, our procurement, production and sales under one system. The centralisation of such data enables us to thoroughly manage our manufacturing, supply chain, logistics, information flow, fund flow and inventory control through real time input, payroll and status checks of our purchases and orders, raw materials and inventory levels, accounts receivables and payables, as well as to monitor our production schedule, logistics support and warehousing needs.

AWARDS AND ACCREDITATIONS

The following table sets forth our recent awards and certifications:

Year	Award	Awarding and issuing authority
2013 and 2010	High and New Technology Enterprise (高新技術企業)	Guangdong Provincial Department of Science and Technology (廣東省科學技術廳), Guangdong Provincial Department of Finance (廣東省財政廳), Guangdong Provincial Bureau of State Taxation (廣東省國家稅務局) and Guangdong Provincial Bureau of Local Taxation (廣東省地方稅務局)
2012	Model Enterprise for Processing Trade Transformation and Upgrade in Guangdong Province (廣東省加工貿易轉型升級示範企業)	People's Government of Dongguan City (東莞市人民政府) and the Guangdong Provincial Department of Foreign Trade and Economic Cooperation (廣東省對外貿易經濟合作廳)
2012	Harmonious Labour Relations Model Enterprise in Dongguan City (東莞市勞動關係和諧企業)	Dongguan Human Resources Bureau (東莞市人力資源局)
2011	Enterprise Technology Centre of Guangdong Province (廣東省企業技術中心)	Economy and Information Committee of the Guangdong Province (廣東省經濟與信息化委員會)
2011	Technological Research and Development Centre of fibre warp knit engineering in Dongguan City (東莞市化纖經編織物工程技術研究開發中心)	Science and Technology Department of Dongguan City (東莞市科學技術局)
2011	Harmonious Labour Relations Model Enterprise in Guangdong Province (廣東省模範勞動關係和諧企業)	Guangdong Provincial Department of Human Resources and Social Security Department (廣東省人力資源和社會保障廳)
2011	Patent Cultivating Enterprise of the Dongguan City (東莞市專利培育企業)	Dongguan City Technology Bureau (東莞市科學技術局) and Intellectual Property Department of Dongguan City (東莞市知識產權局)

MARKET AND COMPETITION

We believe the global lingerie materials market is fragmented with a large number of local and overseas players. According to the Frost & Sullivan Report, in 2012, the top five players in the global lingerie materials market in aggregate occupied only approximately 9.0% of the market share by sales revenue. We mainly compete with domestic and international lingerie material manufacturers based on product quality, product differentiation, brand recognition, production capacity and production technology. We believe the establishment of lingerie material manufacturing facility requires substantial capital commitments. In particular, substantial capital commitment is needed to achieve production volumes that provide reasonable economic return and therefore, new market entrants without a track record face obstacles in obtaining customer acceptance. While we believe that the principal bases upon which we compete are product quality, timely delivery and customer services, we compete favourably with our competitors by offering one-stop solutions providing a wide range of high quality products at reasonable prices. Accordingly, we believe that we have established a leading market presence in the lingerie materials industry. For further details on the competitive landscape of the industry in which we operate in, please refer to the section headed “Industry Overview — The Global Lingerie Materials Market” in this prospectus.

INTELLECTUAL PROPERTY

We recognise the importance of protecting and enforcing our intellectual property rights. We rely on various intellectual property laws to protect our proprietary rights. Details of our intellectual property rights which we consider material to our business operation are more particularly set out under the section headed “Statutory and General Information — B. Further Information about our Business — 2. Intellectual property rights of our Group” in Appendix V to this prospectus.

As at the Latest Practicable Date, we were not aware of any material infringement of our intellectual property and we believe that we have taken reasonable measures to prevent infringement of our own intellectual property rights. Our Directors confirm that we have not infringed any other third-parties’ intellectual property rights during the Track Record Period that would have a material and adverse impact to our operation and financial position and, as at the Latest Practicable Date, we did not have any pending or threatened claims against us or any of our subsidiaries relating to the infringement of any intellectual property rights owned by third parties.

PROPERTIES**Owned properties***Land*

As at the Latest Practicable Date, we owned land use rights for two parcels of land with a total site area of approximately 160,033.2 sq. m..

We own land use rights for a parcel of land located in Maer Village, Machong Town, Dongguan City, Guangdong Province, the PRC with a site area of 101,728.0 sq. m. We have obtained land use rights for this parcel of land for industrial use for a term expiring on 28 March 2055. We mainly use this land as a factory complex for our production, storage and office.

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We also own land use rights for a parcel of land located in Masi Village, Machong Town, Dongguan City, Guangdong Province, the PRC with a site area of 58,305.2 sq. m. We have obtained land use rights for this parcel of land for industrial use for a term expiring on 18 December 2060.

As advised by our PRC Legal Adviser, we have obtained all state-owned land use right certificates for the land we use and we are entitled to transfer, pledge, lease, occupy or use of the land use rights under applicable PRC laws and subject to the conditions stipulated by the mortgage contract concerning the land.

Buildings

As at the Latest Practicable Date, we held building ownership certificates for buildings with an aggregate gross floor area of 140,754.4 sq. m. in Dongguan City, Guangzhou Province, which are mainly used as phases I to IV of our production facilities, storage and office. As advised by our PRC Legal Adviser, we have legally and validly obtained and held all building ownership certificates for the aforesaid buildings we own, and we are entitled to occupy, use, transfer, lease, pledge or otherwise dispose of the buildings under applicable PRC laws and subject to the conditions stipulated by the mortgage contract concerning the buildings.

In addition, we completed the construction of our eighth production facility, namely phase V, in Dongguan City, Guangzhou Province with a total gross floor area of 35,575.2 sq. m. in the first quarter of 2014, and we expect to obtain the completion certificate in the second half of 2014.

Leased properties

As at the Latest Practicable Date, we leased eight properties with an aggregate gross floor area of approximately 60,673.7 sq. m. which are primarily used as our production facilities and staff dormitories.

Lack of property ownership certificates from lessors

Among the eight leased properties, five of the lessors are not able to provide valid property ownership certificates and other relevant documents (one of which was not able to provide valid property ownership certificates and other relevant documents for a portion of the property). As a result, as advised by our PRC Legal Adviser, the relevant leasing agreements of these leased properties may be deemed invalid and we may be forced to vacate the properties. One of these properties is used as our production facilities and the remaining four are used as our staff dormitories. In the event that we are required to relocate these five properties, the total relocation cost is estimated to be approximately HK\$1.7 million. Our Directors confirm that it would not take more than three months to find a suitable replacement with comparable rental expense and location.

Our Directors believe that our business operation will not be materially affected if we are required to vacate these properties as we will be able to relocate the production facility and staff dormitory without significant difficulty. Furthermore, our Controlling Shareholders have also provided an indemnity in favour of us against all losses, expenses and damages which we may incur due to any dispute in respect of these five properties.

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INSURANCE

Insurance is important to our business. We maintain insurance policies for our production facilities, which cover damage caused by certain accidents and natural disasters such as fire. We also maintain commercial insurance for inventory and employees.

We maintain export credit insurance for products that we export and some of our local sales, which insures us against non-payment by our customers after delivery of our goods.

Our Directors are of the view that our insurance coverage is adequate and is in line with the industry practice.

EMPLOYEES

As at 31 December 2013, we employed 3,230 full-time employees, of which most are stationed in the PRC. The following table shows a breakdown of our employees by department as at that date:

<u>Division</u>	<u>Number of Employees</u>
Management and administration	219
Research and development	91
Production	2,230
Sales and marketing	360
Finance and accounting	38
Purchasing and logistics	61
Quality control	231
Total	<u>3,230</u>

We believe our management policies, working environment, employee development opportunities and employee benefits have contributed to good employee relations and employee retention. We recruit our employees based on a number of factors such as their work experience, educational background and vacancy needs. We provide introductory and continuous training programmes for our employees to equip them with the requisite skills and knowledge for their positions. As at the Latest Practicable Date, we had not experienced any labour strikes or major labour disputes.

For the years ended 31 December 2011, 2012 and 2013, our employee benefit expenses were HK\$189.6 million, HK\$224.5 million and HK\$284.7 million, respectively.

In accordance with applicable PRC regulations on social insurance and housing funds, we contribute to social insurance and housing funds for our employees. According to confirmations issued by Social Security Bureau of Dongguan City (東莞市社會保障局) on 18 December 2012, which, according to our PRC Legal Adviser, is the competent authority to issue the confirmation, each of our PRC subsidiaries did not have any outstanding social insurance payment since incorporation to the date of the confirmations and had not been subject to any penalty due to the breach of the relevant laws on social insurance.

Dongguan BPT and Dongguan NHE completed the registration of housing provident funds in April 2009 and November 2010, respectively. Our PRC Legal Adviser interviewed the vice

president of Dongguan City Housing Provident Funds Management Centre on 15 January 2014. The vice president has confirmed to us that, as the housing provident fund scheme was implemented in stages in Dongguan City, enterprises established before 1 January 2008 are required to make supplemental payments for the period from 1 January 2008 to the registration date of housing provident funds. Given that Dongguan BPT made supplemental payment for the housing provident fund according to the housing provident funds policy of Dongguan City, the vice president confirmed that Dongguan City Housing Provident Funds Management Centre will not impose any penalty on Dongguan BPT due to its previous failure to complete the registration of and pay housing provident funds before 1 January 2008 in the future. Further, according to confirmations issued by Dongguan City Housing Provident Funds Management Centre (東莞市住房公積金管理中心) on 14 January 2014, which, according to our PRC Legal Adviser, is the competent authority to issue the confirmation, each of our PRC subsidiaries has contributed to the housing funds for our employees and we are not subject to any administrative punishment as a result of any breach of the applicable laws and regulations on housing funds.

HEALTH AND OCCUPATIONAL SAFETY

We have implemented measures at our production facilities to promote occupational health and safety and to ensure compliance with applicable laws and regulations. We publish bulletins with occupational health and safety discussions to promote the importance of and to raise the awareness of occupational health and safety among our employees. We have established a series of safety guidelines, rules and procedures for different aspects of our production activities, including fire safety, warehouse safety, work-related injuries and emergency and evacuation procedures.

During the Track Record Period, we did not experience any accidents or claims for personal or property damage that, individually or in aggregate, have had a material effect on our Group's financial condition and results of operations. We had complied with the applicable national and local health and safety laws and regulations in all material respects, and the relevant PRC authorities have not imposed any sanctions or penalty on us for incidents of non-compliance of any health and safety laws or regulations in the PRC.

ENVIRONMENTAL PROTECTION

Manufacturing enterprises in the PRC are subject to various PRC environmental protection laws and regulations, which include the Environmental Protection Law of the PRC (中華人民共和國環境保護法) and 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). In addition, current PRC national and local environmental protection laws and regulations impose fees for the discharge of polluted water. For further details, please refer to the section headed "Laws and Regulations — Laws and Regulations Relating to Environmental Protection" in this prospectus.

We are committed to operating in compliance with applicable environmental laws and regulations and have taken steps to ensure that any waste and by-products produced as a result of our operations are properly treated and discharged so as to minimise the adverse effects to the environment. We have an on-site sewage treatment plant that treats sewage generated from our production process, in particular, dyeing and printing processes, by chemical and biological treatments. Processed sewage is required to meet certain chemical standards prescribed by the environmental protection department before it is discharged to the municipal sewage treatment network. The environmental protection department has set up monitoring equipment at our sewage treatment plant to ensure the processed sewage meets the prescribed standard before discharged.

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Officers of the government's environmental protection department also visit us on a regular basis to inspect our plant and equipment. Since the commencement of our operation and up to the Latest Practicable Date, we had not been subject to any material penalty or fines imposed by the environmental protection authorities. For the years ended 31 December 2011, 2012 and 2013, our cost of compliance with the relevant environmental protections laws and regulations were approximately HK\$8.3 million, HK\$11.5 million and HK\$12.0 million, respectively.

According to the written confirmation from the Dongguan Environmental Protection Bureau dated 17 December 2013 to Dongguan BPT and the written confirmation from Houjie Branch of the Dongguan Environmental Protection Bureau (東莞市環境保護局厚街分局) dated 31 December 2013 to Dongguan NHE, save as the RMB90,000 fine as a result of our failure to obtain the relevant approval for our sewage treatment facility before expanding our production facility, we have not been charged for, or incurred any penalties or fines, in respect of the violation of any relevant PRC environmental protection laws and regulations. As advised by our PRC Legal Adviser, such environmental protection authorities are the appropriate authorities to issue the confirmations.

FOREIGN EXCHANGE CONTRACTS

As a substantial portion of our revenue is denominated in U.S. dollars and Hong Kong dollars and our purchases and expenses are denominated in RMB, we are exposed to foreign exchange fluctuations. To reduce our exposure to foreign exchange fluctuations of U.S. dollars and Hong Kong dollars against RMB, we entered into foreign exchange contracts with certain banks in Hong Kong during the Track Record Period. These foreign exchange contracts are either capped forward contracts or knock out forward contracts. Under capped forward contracts, we shall pay U.S. dollar and receive RMB if the spot rate between US\$ and RMB is lower than the contract rate specified in the relevant agreements, ranging from RMB6.4 to RMB6.5 for US\$1, on respective settlement dates based on the notional amount and the contract rate. Where the spot rate is above the contract rate on respective settlement dates, we shall pay U.S. dollar and receive RMB based on the contract amount multiply by two with respective banks. As at 31 December 2012 and 2013, the aggregate notional amount of these capped forward contracts were US\$27 million and US\$5.5 million, respectively and their fair value was HK\$2.2 million and HK\$1.1 million, respectively.

Under knock out forward contracts, we shall pay U.S. dollar and receive RMB with agreed amount with banks when spot rate between US\$ and RMB is above a specified rate or we would receive a fixed amount from bank when the spot rate is below the specified rate on the respective settlement dates. During the year ended 31 December 2011, the aggregate notional amount of these knock out forward contracts was US\$12 million and as at 31 December 2011, their fair value amounted to HK\$0.8 million. During the year ended 31 December 2012, we entered into another type of knock out forward contracts with aggregate notional amount of US\$48 million. Under these knock out foreign contracts, we shall pay U.S. dollar and receive RMB with an agreed amount multiply by two at a specified exchange rates, pay U.S. dollar and receive RMB with the agreed amount with the bank when the spot rate fall within the specified range and we shall receive a fixed amount if the spot rate is below the specified rate on the settlement dates. The fair value of these knock out forward contracts was HK\$1.4 million and HK\$0.4 million as at 31 December 2012 and 2013, respectively, and they will be matured in April 2014.

We have ceased to enter into such foreign exchange contracts since the first quarter of 2013 and we currently do not have any intention to enter into additional foreign exchange contracts as our Directors were of the view that the rate of appreciation of the RMB in 2013 and the coming

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years was and would be slower than that in 2011 and 2012. Going forward, we intend to manage our foreign exchange risks by (i) managing our sales, purchases and expenses denominated in Hong Kong dollars and U.S. dollars through our Hong Kong subsidiaries and managing our sales, purchases and expenses denominated in RMB through our PRC subsidiaries; and (ii) holding cash and bank deposits denominated in RMB primarily by our PRC subsidiaries and cash and bank deposits denominated in Hong Kong and U.S. dollars primarily by our Company and Hong Kong subsidiaries. Our finance department will monitor our foreign exchange risk on a continuous basis by analysing our domestic and overseas sales order on hand, expected domestic and overseas orders from customers and estimated foreign currency payment for our purchases. In the event that we decide to enter into such contracts in the future, we will adopt appropriate internal control measures to monitor our exposure to foreign exchange contracts. For further details on the risks associated with our foreign exchange contracts, please refer to the section headed “Risk Factors — Risks Relating to our Business” in this prospectus.

LICENCES, APPROVALS AND PERMITS

According to our PRC Legal Adviser, we have obtained all requisite permits, licenses and approvals for the business scope set out under our business licence. We are permitted to operate such business scope under such permits, licences and approvals and are in compliance with all relevant laws and regulations of the PRC in all material respects, save as disclosed in the paragraph headed “— Legal Proceedings and Compliance — Non-compliance records” in this section.

LEGAL PROCEEDINGS AND COMPLIANCE

During the Track Record Period and as at the Latest Practicable Date, we were not involved in any litigation, arbitration, bankruptcy or receivership proceedings pending or, to our knowledge, threatened against us or any of our Directors that could have a material adverse effect on our business or operations.

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Non-compliance records

The following table sets forth non-compliances relating to our Group during the Track Record Period:

Historical non-compliance	Reason(s) for non-compliance	Legal consequences and potential maximum and other financial liabilities	Rectification actions taken, provisioning and latest status
1. Non-compliant bill financing arrangements			
From 4 January 2011 to 16 July 2012, Dongguan BPT entered into credit agreements with the Endorsing Banks (defined below) for issuance of bank acceptance notes as payment to certain of our suppliers which are also our related companies. Dongguan BPT delivered such bank bills to the counterparties and the counterparties subsequently endorsed the bank bills to Dongguan BPT. Dongguan BPT then presented such bank bills to other PRC commercial banks for discounting at an amount equal to their face value less any discounted charges. Such bill financing arrangements did not therefore comply with the terms of the credit agreements and Article 10 of the PRC Negotiable Instruments Law (“ Non-compliant Bill Financing Arrangements ”). The Non-compliant Bill Financing Arrangements were entered into in order to (i) finance our Group’s operation with a view to lowering the overall interest expenses and financing costs of Dongguan BPT; (ii) maintain good business relationships between our Group and the Endorsing Banks; and (iii) obtain financing for our expansion and capital expenditure.	The Non-compliant Bill Financing Arrangements were approved by a senior manager of our finance department who was in charge of treasury functions. As our internal control measures relating to the issuance and discounting of bank bills at the subsidiaries level at the time when the Non-compliant Bill Financing Arrangements occurred were insufficient, we only became aware of the non-compliance of the Negotiable Instruments Law when we carried our statutory audit.	Please refer to the paragraph headed “— Non-Compliant Bill Financing Arrangements — Opinion of our PRC Legal Adviser” in this section.	Please refer to the paragraph headed “— Internal Control and Corporate Governance Measures” in this section.

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Historical non-compliance	Reason(s) for non-compliance	Legal consequences and potential maximum and other financial liabilities	Rectification actions taken, provisioning and latest status
For details of the Non-Compliant Bill Financing Arrangements, please refer to the paragraph headed “—Non-Compliant Bill Financing Arrangements” in this section.			

2. Section 122 of the predecessor Companies Ordinance (now Section 431 of the Companies Ordinance)

<p>Certain subsidiaries of our Company namely, BPT, BPT (HK), BP Investment, New Horizon Elastic and New Horizon Investment (the “Relevant HK Subsidiaries”) failed to present their respective audited accounts on six occasions at their respective annual general meetings held between 2004 and 2011 but only presented them on various subsequent occasions.</p>	<p>Pursuant to Section 122 of the predecessor Companies Ordinance, the directors of a Hong Kong company must cause the profit and loss account and balance sheet of the company to be prepared and presented before the company at its annual general meetings. As the respective audited accounts of the Relevant HK Subsidiaries were not available at the relevant times, such accounts had not been laid before the respective annual general meetings at the material times and the requirements under Section 122 of the predecessor Companies Ordinance were not complied with. Such non-compliances were due to the lack of legal knowledge and unintentional and inadvertent oversight of the directors of the Relevant HK Subsidiaries regarding the requirements under the predecessor Companies Ordinance.</p>	<p>Directors who fail to take reasonable steps to comply with Section 122 of the predecessor Companies Ordinance are subject to imprisonment for 12 months and a fine of HK\$300,000.</p> <p>We had not received any penalty notice in relation to Section 122 of the predecessor Companies Ordinance during the Track Record Period and up to the Latest Practicable Date. As at the Latest Practicable Date, there had not been any prosecution initiated against the Relevant HK Subsidiaries or their then or current directors. In view of the above, our Directors do not foresee there being any material operational and/or financial impact on our Group arising from such past non-compliances and has not made any provision in our accounts therefor.</p>	<p>As advised by our special legal adviser in relation to the non-compliance of section 122 of the predecessor Companies Ordinance, Mr. Matthew Ho, a barrister-at-law in Hong Kong (the “Adviser”), each of the directors of the Relevant HK Subsidiaries at the material times are potentially liable for non-compliance with Section 122 of the predecessor Companies Ordinance.</p> <p>The Adviser is of the view that: (i) there is only remote prospect that the Relevant HK Subsidiaries or their directors at the material times will be prosecuted; (ii) the Court would not impose any sentence of imprisonment against any particular director unless the Court is of the opinion that the offence was committed wilfully; (iii) any penalty, if applicable in the circumstances, would likely only be a fine in the region of around HK\$10,000 for each of the Relevant HK Subsidiaries or directors at the material time in respect of each of the Relevant HK</p>
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<u>Historical non-compliance</u>	<u>Reason(s) for non-compliance</u>	<u>Legal consequences and potential maximum and other financial liabilities</u>	<u>Rectification actions taken, provisioning and latest status</u>
			<p>Subsidiaries; and (iv) if prosecution is initiated, the Relevant HK Subsidiaries or their directors at the material times will have an arguable defence.</p> <p>The Adviser's above mentioned opinion is based on the following reasons: (i) the non-compliances were inadvertent and were likely due to genuine mistakes; (ii) evidence from the affected shareholders or ultimate beneficial owners of the Relevant HK Subsidiaries shows that no prejudice has been caused to them as a result of the non-compliances; and (iii) remedial actions had been taken by the Relevant HK Subsidiaries.</p>
3. Advances to related parties			
<p>During the Track Record Period, we made loans to Guangzhou Premium Fashion Company Limited (廣州市質品服飾有限公司), a related party enterprise. For the years ended 31 December 2011, 2012 and 2013, our interest income from Guangzhou Premium Fashion Company Limited was nil, HK\$0.9 million and nil, respectively. These loans were interest-bearing but we subsequently returned all interests received to the borrower. According to our PRC Legal Adviser, such lending activities between enterprises did not comply with certain provisions of the Lending General</p>	<p>The non-compliant loans represented temporary advances to Guangzhou Premium Fashion Company Limited (廣州市質品服飾有限公司) and were entered into due to our unfamiliarity with relevant regulatory requirements and a lack of internal control measures to monitor connected transactions.</p>	<p>According to the Lending General Provisions, where enterprises engage in borrowing and lending without authorisation, the PBOC may impose a fine on the lending party in an amount equal to one to five times the interest generated from the lending activity, and concurrently, invalidate such lending activity.</p>	<p>Our PRC Legal Adviser is of the view that, as we (i) returned all interests we received from the borrower; and (ii) had collected our loans to Guangzhou Premium Fashion Company Limited (廣州市質品服飾有限公司), there is no basis for the PBOC to impose any penalty on us. Our Directors confirm that we will not continue such lending activities to related or third party enterprises. To prevent similar non-compliance incidents and also to ensure our on-going compliance with the relevant PRC laws and regulations, we have</p>

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Historical non-compliance	Reason(s) for non-compliance	Legal consequences and potential maximum and other financial liabilities	Rectification actions taken, provisioning and latest status
Provisions (貸款通則) promulgated by the PBOC in 1996.			adopted measures to ensure that any lending to related parties must have the appropriate level of approval from our Board. Please refer to the paragraph headed “— Internal Control and Corporate Governance Measures” in this section.
4. Unregistered leases in the PRC			
Among our eight leased properties in the PRC, two of the leases were not registered with the relevant PRC authorities (one of which the lease was only registered for a portion of the property) primarily due to the non-cooperation of the relevant lessors. One of these properties is used as our production facility and the other is used as our staff dormitory.	The lessors were not able or refused to provide valid property ownership certificate or other relevant documents.	Our PRC Legal Adviser has advised us that we may be required by the relevant PRC authorities to register the relevant lease agreements within a prescribed time limit. If we fail to do so, we may be subject to fines ranging from RMB1,000 to RMB10,000 for each non-registered lease, the maximum penalty for our failure to register the two leased properties with the relevant PRC authorities would be approximately RMB20,000. During the Track Record Period and up to the Latest Practicable Date, we had not been ordered by any authorities to register any of the unregistered lease agreements.	Our PRC Legal Adviser has advised us that the lack of registration of a lease will not affect its legality. In the event that we are ordered by the relevant PRC authorities to register the relevant lease agreements and we are unable to do so, we will relocate our production facility and staff dormitory. The estimated cost for the relocation of these two properties is approximately HK\$1.7 million. The products, which were our elastic webbing, mainly produced from the production facility of which the lease was not registered contributed approximately 32.9%, 33.7% and 34.0% of our total revenue for the years ended 31 December 2011, 2012 and 2013, respectively. Our Directors are of the view that it would not take more than three months to find a suitable replacement with comparable rental expense and location. Based on the three-month relocation period and the monthly average revenue

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Historical non-compliance	Reason(s) for non-compliance	Legal consequences and potential maximum and other financial liabilities	Rectification actions taken, provisioning and latest status
5. Temporary structures			
<p>As a result of our rapid expansion and lack of space, we constructed two temporary structures covering a total gross floor area of approximately 3,160 sq. m. (representing approximately 2.2% of our total gross floor area) at our production facility located in Maer Village, Machong Town, Dongguan City, at a total cost of HK\$6.6 million. We use such temporary structures as one of our cafeterias and offices and the net book value of which was approximately HK\$5.4 million as at 31 December 2013, representing less than 1% of our then net asset value. As advised by our PRC Legal Adviser, we have not obtained the approval for the construction of these two temporary structures in accordance with the relevant PRC laws.</p>	<p>The non-compliant temporary structures were constructed as we did not seek expert advice on our building plans and were unaware that the construction of temporary structures requires approval from the relevant government authorities.</p>	<p>According to the Town and Country Planning Law of the PRC* (中華人民共和國城鄉規劃法), any temporary structures without the relevant approval may be subject to orders for demolition and a fine of not more than the construction cost.</p>	<p>of elastic webbing, the estimated loss of revenue due to the relocation would be approximately 8% of the total revenue during the Track Record Period.</p> <p>We plan to relocate the relevant cafeteria and office to our new production facility (the ninth production facility) by 2015 and will subsequently demolish the two temporary structures. Our Directors are of the view that in the event that we are ordered to demolish the two temporary structures by the relevant government authority, we will be able to find an alternative area for our cafeteria and office easily and the demolition will not have any material effect on our operations. The estimated relocation cost and demolition cost are HK\$30,000 and HK\$150,000, respectively. We have made provisions for the fine, relocation cost and demolition cost of such non-compliance in the amount of HK\$6.6 million. To prevent future similar non-compliance incidents, any expansion and building plans must be approved by our Board and we will seek relevant expert advice regarding our expansion and building plans.</p>

In relations to the failure to register our lease agreements, based on our Directors' view that (i) it is not difficult to find a suitable replacement with comparable rental expense and location; and (ii) relocation costs and estimated loss of revenue due to relocation is not significant, and, in relations to the failure to obtain the relevant approval for the construction of temporary structures, based on our Directors' view that (i) the temporary structures are not used as our production facilities; and (ii) we can easily relocate our cafeteria and offices to our new production facility, our Directors do not consider the failure to register our lease agreements and the failure to obtain the relevant approval for the construction of temporary structures to be material non-compliance incidents. Our Directors do not foresee that these non-compliance incidents will cause any material impact or interruption on our operation.

NON-COMPLIANT BILL FINANCING ARRANGEMENTS

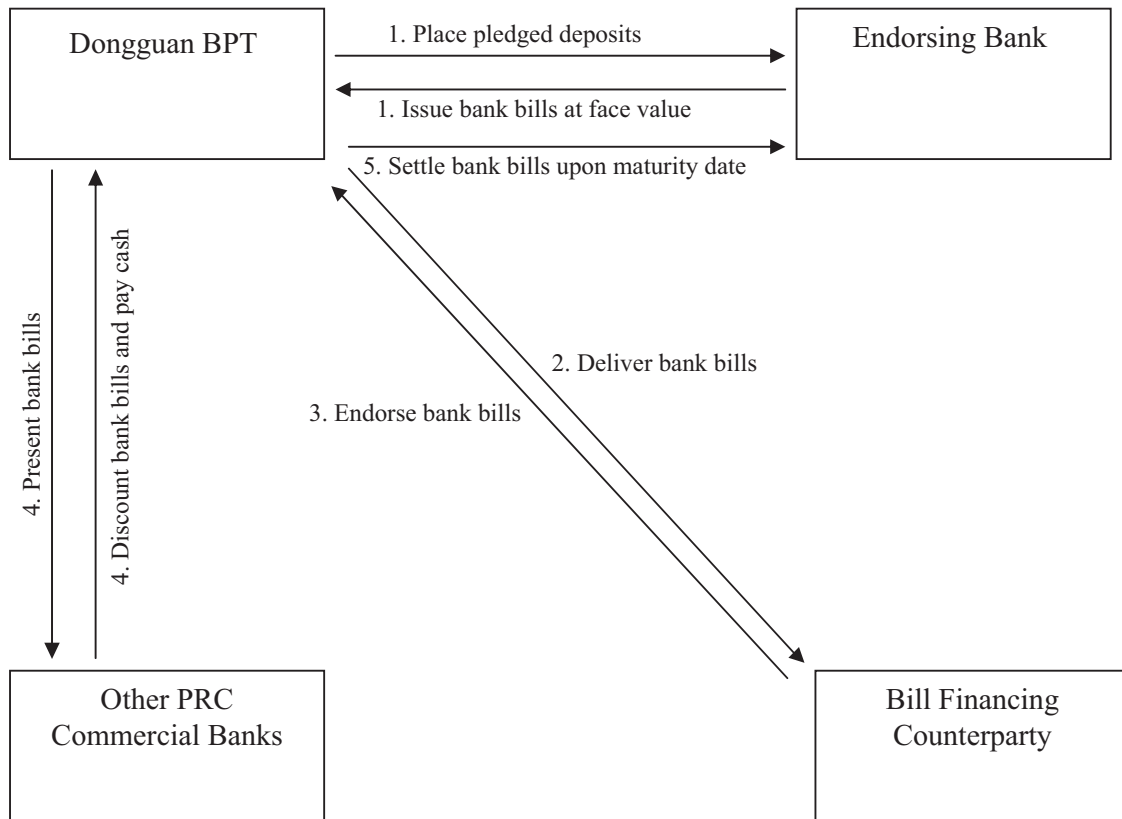
Background

One of our PRC subsidiaries, namely Dongguan BPT, entered into financing arrangements, during the Track Record Period, which involved the issue of bank bills without underlying transactions which is not in compliance with the Negotiable Instruments Law of the PRC (中華人民共和國票據法) (the “**Negotiable Instruments Law**”). The tenure of each of these Non-compliance Bill Financing Arrangements was six months.

Under these financing arrangements, Dongguan BPT instructed the banks involved (the “**Endorsing Banks**”) to issue bank bills to them at face value, and Dongguan BPT in return placed pledged deposits with the Endorsing Banks at 40% to 50% of the face value of such bank bills. Dongguan BPT subsequently delivered such bank bills to certain of our suppliers, which were related parties of our Group at the time of the Non-compliant Bill Financing Arrangements (the “**Bill Financing Counterparty(ies)**”). The Bill Financing Counterparty then endorsed the bank bills for the benefit of Dongguan BPT. At any time prior to the maturity dates of such bank bills, Dongguan BPT may present such bank bills to other PRC commercial banks and the relevant PRC commercial banks will subsequently discount the bank bills and pay cash to Dongguan BPT. Upon the maturity dates of such bank bills, Dongguan BPT was required to repay to the relevant Endorsing Bank any outstanding balance of the face value of the issued bank bills.

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The diagram below illustrates the specific mechanism of the Non-compliant Bill Financing Arrangements:



The following table sets forth the total amount of bills issued under the Non-compliant Bill Financing Arrangements during the Track Record Period:

	For the year ended 31 December	
	2011	2012
	(HK\$'000)	(HK\$'000)
Total amount of new bills financing raised ^(Note)	497,787	198,521

Note: Such amount represents the total amount of bills under the Non-compliant Bill Financing Arrangements.

We have ceased to enter into further Non-compliant Bill Financing Arrangements since 16 July 2012.

The Non-compliant Bill Financing Arrangements were entered into in order to (i) finance our Group's operation with a view to lowering the overall interest expenses and financing costs of Dongguan BPT; (ii) maintain good business relationships between our Group and the Endorsing Banks; and (iii) obtain financing for our expansion and capital expenditure. As our internal control measures relating to the issuance and discounting of bank bills at the subsidiaries level at the time when the Non-compliant Bill Financing Arrangements occurred were insufficient, we only became aware of the non-compliance of the Negotiable Instruments Law when we carried out the statutory audit. In particular, at the time when the Non-compliant Bill Financing Arrangements occurred, we did not have (i) formalised or documented internal control measures for bill financing activities; (ii) segregation of duties in the application, approval and discounting functions for bill financing

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activities; (iii) training for our employees who were not aware of the requirements under the Negotiable Instruments Law, on the proper usage of bills; or (iv) a committee responsible for the monitoring of our internal control system. The Non-compliant Bill Financing Arrangements were approved by a senior manager of our finance department who is in charge of treasury functions.

Our Directors only became aware of such non-compliance when we carried out the statutory audit, upon which they instantly procured Dongguan BPT to: (i) inform the Endorsing Banks that the Non-compliant Bill Financing Arrangements were not supported by underlying transactions; (ii) cease to enter into any further Non-compliant Bill Financing Arrangements since 16 July 2012; and (iii) fully settle all outstanding balances of the Non-compliant Bill Financing Arrangements by 16 January 2013. None of our Directors or senior management was involved in the Non-compliant Bill Financing Arrangements, nor did they obtain any personal benefit directly or indirectly from the Non-compliant Bill Financing Arrangements.

The transaction amounts of all Non-compliant Bill Financing Arrangements were not material

Dongguan BPT was required to pledge deposits with the Endorsing Banks at 40% to 50% of the face value of such bank bills. The total amount of deposits we pledged to the Endorsing Banks was HK\$228.3 million and HK\$91.1 million for the years ended 31 December 2011 and 2012, respectively. Taking into account the pledged deposits, the net proceeds we obtained through the Non-compliant Bill Financing Arrangements were HK\$269.5 million and HK\$107.4 million for the years ended 31 December 2011 and 2012, respectively.

For illustrative purposes, based on our weighted-average interest rates for working capital bank loans of 7.19% and 6.96% for the years ended 31 December 2011 and 2012, respectively, we estimated that our interest expenses incurred, and saved from the Non-compliant Bill Financing Arrangements for the respective periods, were as follows:

	For the year ended 31 December	
	2011	2012
	(HK\$'000, except percentages)	
Transaction amounts of new bills financing raised ^(Note)	497,787	198,521
Interest rate under working capital bank loans per annum	7.19%	6.96%
Interest that would be incurred if short-term bank loan was used	21,408	6,863
Interest on bills financing	20,653	6,580
Interest saved from the Non-compliant Bill Financing Arrangements	755	283

Note: Such amount represents the total amount of bills under the Non-compliant Bill Financing Arrangements.

The effect on our financial position had we not involved in any Non-complaint Bill Financing Arrangements is as follows:

	For the year ended 31 December	
	2011	2012
	(HK\$'000, except percentages)	
New bank borrowings and new bills financing raised during the year	1,498,656	1,507,550
New bills financing raised	497,787	198,521
New bills financing raised as a percentage of new bank borrowings and new bills financing raised during the year	33.2%	13.2%

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Our Directors are of the view that the Non-complaint Bill Financing Arrangements do not have any material impact on our operation because (i) we have sufficient banking facilities and financial resources generated from our operating activities to fund our operations and expansions; (ii) they only represented 33.2% and 13.2% of our total new bank borrowings raised and new bills financing raised for the year ended 31 December 2011 and 2012, respectively; and (iii) we would have been able to use deposits we pledged to the Endorsing Banks as working capital or payment for our machinery purchase prices.

Since the full settlement of all outstanding bank bills in relation to the Non-compliant Bill Financing Arrangements, our Group has demonstrated that it has sufficient working capital to support its business operations based on its operating income, credit facilities and established relationships with PRC commercial banks. Based on the foregoing, our Directors consider that our Group would have had sufficient funding for its business operations in each of the years in the Track Record Period, assuming that there were no Non-compliant Bill Financing Arrangements during the same periods.

Confirmation from relevant government authorities

In connection with the Non-compliant Bill Financing Arrangements entered into by Dongguan BPT, we have obtained a written confirmation from Dongguan Branch of the PBOC (中國人民銀行東莞市中心支行) confirming that it has not imposed any administrative penalties on Dongguan BPT or its personnel for the Non-compliant Bill Financing Arrangements. We also obtained a written confirmation from Dongguan Branch of the China Banking Regulatory Commission (“CBRC”) (中國銀行業監督管理委員會東莞監管分局) confirming that no administrative penalty has been imposed on Dongguan BPT or its personnel for the Non-compliant Bill Financing Arrangements.

According to our PRC Legal Adviser, Dongguan Branch of the PBOC and Dongguan Branch of the CBRC have the authority to investigate and impose punishments against activities that violate financial laws and regulations in their jurisdictions and therefore are the appropriate regulatory authorities to issue the above confirmations.

Confirmation from the Endorsing Banks

The Endorsing Banks are the Dongguan branches of each of Industrial and Commercial Bank of China, CITIC Bank, Shanghai Pudong Development Bank, Agricultural Bank of China, Guangdong Development Bank, Industrial Bank Co., Ltd., Bank of China and China Merchants Bank. As at 9 September 2013, each of the Endorsing Banks had confirmed in writing that:

- (1) Dongguan BPT is in good credit standing with the bank and as at the date of such confirmation letter, such Endorsing Bank has not identified any acts of fraud or cases of overdue repayments or overdue payments of bills of exchange;
- (2) such Endorsing Bank has not suffered any losses as a result of the business transactions with Dongguan BPT;
- (3) Dongguan BPT has informed such Endorsing bank of its issue, acquisition, transfer and/or discount of any financing bills with no real underlying transaction, all of which have been terminated as at the date of such confirmation letter; and

- (4) such Endorsing Bank will not take any actions against Dongguan BPT, its shareholders, its directors based on its previous dealings with Dongguan BPT prior to the issue of such confirmation letter, and has not identified any factors that may limit Dongguan BPT's credit line and/or other business cooperation with such Endorsing Bank.

Opinion of our PRC Legal Adviser

Our PRC Legal Adviser has advised us that the Non-compliant Bill Financing Arrangements were not in compliance with the Negotiable Instruments Law (Article 10 which states that bank bills must be issued on the basis of actual underlying transactions) and certain banking regulations promulgated by the PBOC, including the Measures for the Implementation of the Administration of Negotiable Instruments* (票據管理實施辦法), the Measures for the Payment and Settlement* (支付結算辦法) and the Notice of the People's Bank of China on Certain Improvements of the Negotiable Instruments Systems* (中國人民銀行關於完善票據業務制度有關問題的通知).

Further, according to our PRC Legal Adviser, there are no specific provisions in the Negotiable Instruments Law or any rules promulgated by the PBOC or the CBRC that impose any administrative or criminal liability for the Non-compliant Bill Financing Arrangements. Therefore, there is no legal basis for any PRC regulatory authority to impose administrative or criminal liability on us, our Directors and senior management in relation to the Non-compliant Bill Financing Arrangements and indeed no such liability has been so imposed. Such opinion is also based on:

- (i) the principle described in Article 3 of the PRC Criminal Law* (中華人民共和國刑法) (the “**Criminal Law**”) that “a criminal act not expressly defined by law shall not be convicted and sentenced”;
- (ii) the principle described in Article 4 of the Administrative Penalty Law of the PRC (中華人民共和國行政處罰法) that “rules governing the offences which are subject to administrative penalty must be promulgated and rules not promulgated shall not become the basis for administrative penalty”; and
- (iii) as described above, the confirmations from each of the Endorsing Banks and the relevant government authorities (namely, Dongguan Branch of the PBOC and Dongguan Branch of the CBRC).

Furthermore, the full amounts of the bank acceptance notes in respect of the Non-compliant Bill Financing Arrangements have been repaid to the Endorsing Banks, without causing any damage or loss to the Endorsing Banks. There is no dispute or civil claim between Dongguan BPT and the Endorsing Banks or any other third parties.

Based on the above, our PRC Legal Adviser is further of the opinion that based on the confirmation issued by each of the Endorsing Banks, the Non-compliant Bill Financing Arrangements did not constitute fraud as defined under Article 102 and 103 of the Negotiable Instruments Law and Article 194 of the Criminal Law.

INTERNAL CONTROL AND CORPORATE GOVERNANCE MEASURES

We have adopted or planned to adopt a series of measures to enhance our corporate governance and prevent future non-compliance of laws and regulations. We have engaged an

independent consulting firm as our internal control consultant to review the design, implementation and effectiveness of the remediated controls surrounding our previous non-compliances and other internal control systems.

Non-compliant bill financing arrangements

Since the cessation of the Non-compliant Bill Financing Arrangements, we have undertaken a series of measures to prevent future reoccurrences. The key measures implemented since January 2013 include:

- established an audit committee comprising three independent non-executive Directors to review and supervise our internal control systems after the Listing. The establishment of our audit committee was formally approved by our Board on 8 May 2014;
- implemented internal guidelines and policies for approving, reporting and monitoring bill financing transactions;
- announced internally a clear policy statement that non-compliant bill financing is prohibited;
- notified senior management members that bill financing without underlying transactions will not be approved;
- proposed disciplinary actions for any breach of the new policy;
- provided training to our employees involved in financing activities about the new policy and emphasised that bill financing without support of any underlying transactions is not in compliance with relevant PRC laws and regulations;
- considered and planned to develop more measures to revise, advise and help formalise and document internal control measures for bill financing activities and our overall internal control systems; and
- we intend to engage external legal advisers after the Listing to provide training to our Directors and senior management on material changes to the relevant rules and regulations.

The internal control consultant reviewed the design and implementation of the remediated controls surrounding the issuance of bank acceptance notes at Dongguan BPT for the period from 4 January 2011 to 16 July 2012 and has reported to our Company that it has not raised any further deficiencies regarding the remediated controls relating to the issuance and discounting of bank acceptance notes at Dongguan BPT.

Section 122 of the predecessor Companies Ordinance (now Section 431 of the Companies Ordinance)

In order to prevent future breaches of the Companies Ordinance, we have taken or will take the following steps to ensure due compliance with the applicable laws under the Companies Ordinance in the future:

- Mr. Chan Yiu Sing, our chief financial officer and company secretary, will oversee the accounting and company secretarial matters of our Group to ensure compliance with

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Section 122 of the predecessor Companies Ordinance (now Section 431 of the Companies Ordinance) and other applicable regulatory and compliance requirements. Mr. Chan Yiu Sing has over eight years of experience in audit, investment, accounting and finance. He has been a member of the Hong Kong Institute of Certified Public Accountants since September 2009;

- our audit committee will oversee our financial reporting and internal control procedures after the Listing;
- a detailed memorandum prepared by our legal adviser as to Hong Kong law, setting out the ongoing regulatory requirements of our Directors after the Listing has been distributed to and reviewed by our Directors;
- our Directors and senior management have attended the training provided by the Hong Kong legal adviser to our Company on the ongoing obligations and duties of directors of a listed company under the relevant laws of Hong Kong and the Listing Rules; and
- we intend to engage external Hong Kong legal advisers after the Listing to advise us on the ongoing obligations and duties of directors of a listed company, including sessions on connected transaction, code of corporate governance, dealing in securities, disclosure of inside information, notifiable transactions and dissemination of information. These external legal advisers will keep our Directors and the secretary of our Board informed of any changes and updates in the applicable laws, regulations, standards and requirements, and will provide training to our Directors and senior management on material changes to the relevant rules and regulations.

Advances to related parties

In order to ensure that any lending to related or third parties must have the appropriate level of approval from our Board and comply with the Listing Rules, we have taken or will take the following internal control measures:

- our audit committee will oversee our financial reporting and internal control procedures after the Listing;
- Mr. Chan Yiu Sing, our chief financial officer and company secretary, will oversee the accounting matters and connected and/or related party transactions of our Group to ensure compliance with the relevant Listing Rules;
- our Directors have attended the training provided by our legal adviser as to Hong Kong law on the ongoing obligations and duties (including compliance with the requirements on connected transactions) under the Listing Rules;
- announced internally a clear policy statement that lending to related or third parties is prohibited in the PRC;
- adopted a set of written internal control policies which requires all connected and/or related party transactions to be approved by our Board; and
- we intend to engage external legal advisers after the Listing to advise us on the ongoing obligations and duties under the relevant laws and regulations applicable to our

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operations in Hong Kong and the PRC. These external legal advisers will also provide training to our Directors and senior management on material changes to the relevant rules and regulations.

The internal control consultant has reviewed the design and implementation of the remediated controls surrounding the above non-compliances and has reported to our Company that it has not raised any further deficiencies regarding the remediated controls relating to such non-compliances.

After considering the above remedial actions taken by our Group and our business nature and operation scale, our Directors are satisfied that our internal control system is adequate and effective and consider that the non-compliance incidents do not have any material impact on the suitability of our Directors under Rules 3.08 and 3.09 of the Listing Rules and our suitability for listing under Rule 8.04 of the Listing Rules.

Having considered the above remedial actions taken by us and our business nature and operation scale, the Sole Sponsor concurred with our Director's view that our internal control system is adequate and effective and the non-compliance incidents do not have any material impact on the suitability of our Directors under Rules 3.08 and 3.09 of the Listing Rules and our suitability for listing under Rule 8.04 of the Listing Rules.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Global Offering and the Capitalisation Issue (assuming the Over-allotment Option is not exercised and taking no account of the options which were granted under the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme), Grandview, which is wholly-owned by Mr. Lu, will be interested in 63.75% of the issued share capital of our Company. Hence, Grandview and Mr. Lu will be our Controlling Shareholders within the meaning of the Listing Rules. Grandview was incorporated in the BVI on 28 September 2010 and is an investment holding company. For Mr. Lu's background, please refer to the section headed "Directors, Senior Management and Employees" in this prospectus.

COMPETING INTERESTS

As confirmed by our Directors, our Controlling Shareholders and their respective associates do not have 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 our business.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having taken account of the following factors, our Directors are satisfied that we can carry on our business independently of our Controlling Shareholders following the Listing:

Management independence

Our management and operational decisions are made by our Board and a team of senior management. Our Board consists of six members, comprising three executive Directors and three independent non-executive Directors. Each of our Directors is aware of his fiduciary duties as a Director which requires, among other things, that he acts for the benefit and in the best interests of our Company and does not allow any conflict between his duties as a Director and his personal interest. In the event that there is a potential conflict of interest 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, our independent non-executive Directors will bring independent judgment to the decision making process of our Board. In addition, members of our senior management, who are responsible to take charge of our daily operations, are independent from our Controlling Shareholders and their associates. Our senior management team possesses in-depth experience and understanding of the industry in which we are engaged. In this regard, our Directors are of the view that our Group can be managed independently notwithstanding that Mr. Lu, being a Controlling Shareholder, is an executive Director.

Operational Independence

Although our Controlling Shareholders will retain a controlling interest in our Company after the Listing, our Company has full rights to make all decisions and to carry out our own business operations independently.

Our organisational structure is made up of a number of departments, comprising the management and administration, research and development, production, sales and marketing, finance and accounting, purchasing and logistics and quality control departments. Each department takes a specific role in our operations. There are internal control procedures to ensure effective

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

operation of our business. Furthermore, we have our own production lines and our own sources of suppliers and customers, which are all Independent Third Parties. Accordingly, we can carry out our business operations independently.

Financial independence

We have our own financial management system and the ability to operate independently from our Controlling Shareholders from a financial perspective. We have our own bank account, make our own tax registrations and have employed a sufficient number of financial accounting personnel. Taking into account of our Group's internal resources and the estimated net proceeds from the Global Offering, our Directors believe that our Group will have sufficient working capital for its requirements for at least the next 12 months from the date of publication of this prospectus. Our Directors believe that our Group is capable of obtaining financing from external sources without reliance on our Controlling Shareholders. Upon completion of the Global Offering, (i) all amounts due to or from; and (ii) all guarantees provided to or from, our Controlling Shareholders to our Company, will be fully settled or released.

Delineation of business

Our Group is principally engaged in the manufacturing of lingerie materials and is a one-stop solutions provider to lingerie brand owners through our comprehensive product line of lingerie materials, including elastic fabrics, elastic webbing and lace.

Mr. Lu also engages in the business of property development in the Guangdong Province.

Given (i) the different nature between our Group's business and the property development business of Mr. Lu; and (ii) the operations of our Group are independent of and separate from the property development business of Mr. Lu, our Directors are of the view that there is a clear delineation between the property development business of Mr. Lu and our business, and they do not expect there to be any overlap or competition between the businesses of Mr. Lu and our Group.

DEED OF NON-COMPETITION

To better safeguard our Group from any potential competition and conditional upon the Listing taking place, each of our Controlling Shareholders (collectively, the "**Covenantors**") has entered into the Deed of Non-Competition in favour of our Company, pursuant to which each of the Covenantors jointly and severally, irrevocably and unconditionally, undertakes with us that with effect from the Listing Date and for as long as our Shares remain so listed on the Stock Exchange and the Covenantors are regarded as controlling shareholders (as defined under the Listing Rules), each of the Covenantors will not, and will procure that none of their respective associates will:

- (a) directly or indirectly engage, participate or hold any right or interest in or otherwise be involved in any business in competition with or likely to be in competition with our existing business activity or any principal business activity of any member of our Group or be in competition with us in any business activities which we may undertake in the future (the "**Restricted Business**") save for (i) the holding of not more than 5% shareholding interests (individually or any of the Covenantors with their associates collectively) in any listed company in Hong Kong; or (ii) the holding of shares in any listed company in Hong Kong where the Restricted Business conducted or engaged in

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

by such company accounts for less than 10% of the relevant company's consolidated turnover or consolidated assets, or (iii) where the Covenantors are already, directly or indirectly, interested or invested in the operations of companies which are engaging in Restricted Business and details of which have been specifically disclosed in this prospectus; and

- (b) take any direct or indirect action which constitutes an interference with or a disruption to our business activities including, but not limited to, solicitation of our customers, suppliers or staff.

In addition, each of the Covenantors hereby jointly and severally undertakes that if any new business opportunity relating to any Restricted Business is made available to any of the Covenantors, it will direct the Restricted Business to us with such required information to enable us to evaluate the merits of the Restricted Business.

Any decision of our Company as to whether or not to engage in the Restricted Business will have to be approved by our independent non-executive Directors. Where our independent non-executive Directors have reviewed the opportunity to invest, participate, be engaged in and/or operate with a third party any Restricted Business and has declined such opportunity, the Covenantors (or his/its associate(s)) may subsequently invest, participate, engage in or operate the Restricted Business as long as the terms by which the Covenantors subsequently invest are not more favourable than those disclosed to our Company.

Where our Company decides and offers to invest, participate, be engaged in and/or operate any Restricted Business with any of the Covenantors and/or his/its associates, such Covenantor and/or his/its associates can invest, participate, be engaged in and/or operate such Restricted Business with our Company. Our Company will comply with the requirements of the Listing Rules in case of such cooperation with the Covenantors and/or his/its associates.

Each of the Covenantors further jointly and severally undertakes that he/it will provide to us all information necessary for the enforcement of the above non-competition undertakings.

Each of the Covenantors also represents and warrants that apart from the disclosures made in this prospectus, neither he or it nor any of his/its associates is currently engaging, directly or indirectly, in any business that competes or may compete with us.

The Deed of Non-Competition will cease to have effect on any of the Covenantors if he/it ceases to be a Controlling Shareholder of our Company, or the date on which the Listing is withdrawn, whichever occurs first.

CORPORATE GOVERNANCE MEASURES

We have adopted the following measures to manage the conflict of interests arising from competing business and to safeguard the interest of our Shareholders:

- (a) the Covenantors will promptly provide to us such information as we may from time to time reasonably request to ascertain the compliance of their obligations under the Deed of Non-Competition;
- (b) our independent non-executive Directors will review on an annual basis the compliance with the non-competition undertaking by the Covenantors under the Deed of Non-Competition;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (c) the Covenantors undertake to provide to us all information necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-Competition;
- (d) we will disclose decisions on matters reviewed by our independent non-executive Directors relating to the compliance and enforcement of the non-competition undertaking of the Covenantors under the Deed of Non-Competition in our annual report or by way of announcement to the public;
- (e) the Covenantors shall abstain from voting at any general meeting of our Company if there is any actual or potential conflict of interest;
- (f) the Covenantors will make an annual declaration on compliance with their undertaking under the Deed of Non-Competition in our annual report and make disclosure on how the Deed of Non-Competition has been complied with and enforced, consistent with the principle of making voluntary disclosure in the corporate governance report; and
- (g) we have appointed CCBI as our compliance adviser which shall provide us with professional advice and guidance in respect of compliance with the Listing Rules and applicable laws.

CONNECTED TRANSACTIONS

During the Track Record Period, we have entered into the following lease contracts with Mr. Lu, our chairman, an executive Director and one of our Controlling Shareholders. As Mr. Lu is a connected person of our Company, such transactions will constitute continuing connected transactions for our Company under the Listing Rules upon the Listing.

Continuing connected transactions subject to the reporting, announcement and annual review requirements but exempt from the independent Shareholders' approval requirements

1. Lease contract relating to Jinzhou Industrial Zone, Humen Town between Mr. Lu and Dongguan NHE

On 1 April 2010, Mr. Lu and the Humen branch of Dongguan NHE (for and on behalf of Dongguan NHE) entered into a lease contract (the “**Humen Lease**”) pursuant to which Mr. Lu leased to Dongguan NHE certain buildings with a gross floor area of approximately 5,835 sq. m. situated at the Jinzhou Industrial Zone, Humen Town (虎門金州工業區), Guangdong Province, the PRC (the “**Humen Buildings**”), for use as a production plant and dormitories for the staff of our Group. The Humen Lease is for a term of 10 years from 1 July 2010 to 30 June 2020 with an annual rental of RMB700,320. Dongguan NHE may terminate the Humen Lease by giving three months prior notice to Mr. Lu.

On 1 January 2014, Mr. Lu and the Humen branch of Dongguan NHE (for and on behalf of Dongguan NHE) entered into a lease contract (the “**New Humen Lease**”) in relation to the Humen Buildings to supersede the Humen Lease. The New Humen Lease is for a term of three years from 1 January 2014 to 31 December 2016 with an annual rental of RMB805,230 for the year 2014. The parties to the New Humen Lease shall negotiate for the rental for the years 2015 and 2016 by reference to the prevailing market rents for similar premises in similar locations in the PRC which shall not exceed RMB980,000 per annum. Dongguan NHE may terminate the New Humen Lease by giving three months prior notice to Mr. Lu.

The rental payable during the term of the New Humen Lease has been determined by reference to the terms and conditions of the New Humen Lease, the historical rental and the prevailing market rate, and is determined on terms no less favourable to our Group than terms available from Independent Third Parties.

For the years ended 31 December 2011, 2012 and 2013, the rental paid by our Group to Mr. Lu relating to the lease of the Humen Buildings amounted to RMB700,320, RMB700,320 and RMB700,320, respectively. The annual caps under the New Humen Lease are RMB805,230 for the year ending 31 December 2014 and RMB980,000 for each of the two years ending 31 December 2015 and 2016, respectively.

2. Lease contract relating to Baihao Industrial Zone, Houjie Town between Mr. Lu and Dongguan NHE

On 1 July 2013, Mr. Lu and Dongguan NHE entered into a lease contract (the “**Baihao Lease**”) pursuant to which Mr. Lu leased to Dongguan NHE certain buildings with a gross floor area of approximately 17,769 sq. m. situated at the Baihao Industrial Zone, Houjie Town (厚街白濠工業區), Guangdong Province, the PRC (the “**Baihao Buildings**”) for use as administration offices, production plants and dormitories for the staff of our Group. The Baihao Lease is for a term of three years from 1 July 2013 to 30 June 2016 with an annual rental of RMB2,132,280. Dongguan NHE may terminate the Baihao Lease by giving three months prior notice to Mr. Lu.

CONNECTED TRANSACTIONS

On 1 January 2014, Mr. Lu and Dongguan NHE entered into two lease contracts (collectively, the “**New Baihao Lease**”) to supersede the Baihao Lease. One of the lease contracts under the New Baihao Lease covered a gross floor area of approximately 10,370 sq. m. among the Baihao Buildings for use as administration offices and production plants with an annual rental of RMB1,306,620, while the other lease contract under the New Baihao Lease covered a gross floor area of approximately 7,000 sq. m. among the Baihao Buildings for use as dormitories for the staff of the Group with an annual rental of RMB882,000. The New Baihao Lease is for a term of three years from 1 January 2014 to 31 December 2016 with an aggregate annual rental of RMB2,188,620 for the year 2014. The parties to the New Baihao Lease shall negotiate for the rental for the years 2015 and 2016 by reference to the prevailing market rents for similar premises in similar locations in the PRC which shall not exceed RMB2,700,000 per annum. Dongguan NHE may terminate the New Baihao Lease by giving three months prior notice to Mr. Lu.

The rental payable during the term of the New Baihao Lease has been determined by reference to the terms and conditions of the New Baihao Lease, the historical rental and the prevailing market rate, and is determined on terms no less favourable to our Group than terms available from Independent Third Parties.

For the years ended 31 December 2011, 2012 and 2013, the rental paid by our Group to Mr. Lu relating to the lease of the Baihao Buildings amounted to RMB2,132,280, RMB2,132,280 and RMB2,132,280, respectively. The annual caps under the New Baihao Lease are RMB2,188,620 for the year ending 31 December 2014 and RMB2,700,000 for each of the two years ending 31 December 2015 and 2016, respectively.

Application for waiver from strict compliance with the Listing Rules

Implications under the Listing Rules

The transactions under the New Humen Lease and New Baihao Lease (collectively the “**Leases**”) are aggregated pursuant to Rules 14A.25 to 14A.27 of the Listing Rules. Based on the respective annual caps for the transactions under the Leases on an aggregated basis, it is expected that each of the percentage ratios for the Leases (other than the profits ratio), where applicable, calculated by reference to Rule 14.07 of the Listing Rules, will be less than 5%. Accordingly, the Leases (on an aggregated basis) are subject to the reporting, announcement, annual review requirements but exempt from the independent Shareholders’ approval requirements under Rule 14A.34 of the Listing Rules.

Confirmation from our property valuer

Avista Valuation Advisory Limited, the property valuer of our Company, has reviewed the rental payable pursuant to the Leases and considers that the annual rental under each of the Leases is fair and reasonable and consistent with the then current market rents for similar premises in similar locations in the PRC and the terms of the Leases are on normal commercial basis and the duration of the leases under the Leases are consistent with the prevailing market.

Directors’ confirmation

Our Directors (including our independent non-executive Directors) consider that the continuing connected transactions under the Leases have been entered into in the ordinary and usual course of business of our Group and have been based on arm’s length negotiations and on

CONNECTED TRANSACTIONS

normal commercial terms that are fair and reasonable and in the interest of our Company and our Shareholders as a whole, and the proposed maximum aggregate annual caps of the transactions under the Leases are fair and reasonable and in the interest of our Company and our Shareholders as a whole.

Waiver from the Stock Exchange

Given that the transactions under the Leases were entered into prior to the Listing Date and have been disclosed in this prospectus and our potential investors will participate in the Global Offering on the basis of such disclosure, and such transactions are of an ongoing nature after the Listing, our Directors (including our independent non-executive Directors) consider that compliance with the announcement requirement under Chapter 14A of the Listing Rules on each occasion such transactions arise would be impracticable and add unnecessary administrative costs to our Company. Accordingly, pursuant to Rule 14A.42(3) of the Listing Rules, we have applied for, and the Stock Exchange has granted our Company, a waiver from strict compliance with the announcement requirement under Chapter 14A of the Listing Rules in respect of the aforesaid continuing connected transactions. Other than the announcement requirements, our Company will comply with all relevant requirements under Chapter 14A of the Listing Rules.

Confirmation from the Sole Sponsor

The Sole Sponsor is of the view that the continuing connected transactions described above have been entered into in the ordinary and usual course of business of our Group, are on normal commercial terms that are fair and reasonable and in the interest of our Company and our Shareholders as a whole, and the proposed maximum aggregate annual caps of the transactions under the Leases are fair and reasonable and in the interest of our Company and our Shareholders as a whole.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

The table below shows certain information in respect of members of our Board and Senior management:

SUMMARISED INFORMATION OF OUR DIRECTORS AND SENIOR MANAGEMENT

Directors

Name	Age	Date of joining our Group	Existing Position	Roles and Responsibilities	Date of Appointment as Director	Relationship with our Directors and/or senior managers
Mr. Lu Yuguang (盧煜光)	48	24 February 2003	Chairman and executive Director	Formulates overall management plans and oversees our strategic business development; the chairman of our nomination committee and a member of our remuneration committee	14 June 2013	Mr. Wu's brother-in-law
Mr. Zhang Haitao (張海濤)	44	24 February 2003	Chief executive officer and executive Director	Formulates and executes overall corporate directions and business strategies	14 June 2013	Spouse of Ms. Zheng Tingting, a member of our senior management team
Mr. Wu Shaolun (吳少倫)	49	24 February 2003	Executive Director	Responsible for our Group's infrastructure and the general management of Dongguan BPT and Dongguan NHE	14 June 2013	Mr. Lu's brother-in-law
Mr. Cheung Yat Ming (張一鳴)	45	8 May 2014	Independent non-executive Director	Performs roles as an independent non-executive Director; a member of our audit, remuneration and nomination committees	8 May 2014	N/A
Mr. Ding Baoshan (丁寶山)	51	8 May 2014	Independent non-executive Director	Performs roles as an independent non-executive Director; the chairman of our remuneration committee and a member of our audit and nomination committees	8 May 2014	N/A
Mr. Sai Chun Yu (余振宇)	33	8 May 2014	Independent non-executive Director	Performs roles as an independent non-executive Director; the chairman of our audit committee	8 May 2014	N/A

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Age	Date of joining our Group	Existing Position	Roles and Responsibilities	Date of Appointment as senior manager	Relationship with our Directors and/or senior managers
Senior Management						
Mr. Chan Yiu Sing (陳耀星)	35	30 September 2013	Chief financial officer and company secretary of our Group	Ensures and maintains standards of corporate governance and overall financial management	17 January 2014	N/A
Ms. Zheng Tingting (鄭婷婷)	39	26 December 2006	Vice-president (marketing) of our Group	Develops and implements overall sales and marketing strategies	26 December 2008	Spouse of Mr. Zhang
Mr. Cao Guangjin (曹光瑾)	36	23 May 2006	Vice-president (production) of Dongguan BPT	Plans, directs and coordinates effective development and production of our products in Dongguan BPT	30 March 2009	N/A
Mr. He Zhongpin (何仲聘)	43	16 May 2010	Vice-president (production) of Dongguan NHE	Plans, directs and coordinates effective development and production of our products in Dongguan NHE	16 May 2010	N/A
Mr. Shi Jiangzhi (石蔣志)	36	31 March 2004	Vice-president (research and development) of our Group	Leads efforts to develop innovative technologies in support of our Group's strategic research and development plans	21 April 2011	N/A
Mr. Xu Jie (徐傑)	36	8 May 2007	Vice-president (human resources) of Dongguan BPT	Oversees the development and implementation of human resources policies programmes	1 December 2008	N/A

BOARD OF DIRECTORS

Our Board currently consists of six Directors, comprising three executive Directors and three independent non-executive Directors. Our Board of Directors is responsible and has general powers for the management and conduct of our business.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Executive Directors

Mr. LU Yuguang (盧煜光), aged 48, is the chairman of our Company. He was appointed as a Director on 14 June 2013 and re-designated as an executive Director on 21 January 2014. Mr. Lu has approximately 19 years of experience in the textile industry and he formulates overall management plans and oversees the strategic business development of our Group. He is currently the legal representative and the chairman of Dongguan NHE and the chairman of the board of Dongguan BPT. Mr. Lu first started to engage in the textile industry in August 1994 when he was a chairman of Dongguan Runda, a company which was engaged in the manufacturing, production and sale of elastic webbing and throughout the years, Mr. Lu has been an active entrepreneur in Dongguan City and Guangdong Province. He has been a committee member of the Chinese People's Political Consultative Conference of the Dongguan Municipal (東莞市政協委員) since December 2011 and a member of the High-tech Enterprises Association in Dongguan City (東莞市高新技術企業協會) since July 2009. In July 2009, Mr. Lu was awarded with the "Chinese Enterprise Management Innovation Achievement Award" (中國企業管理創新成就獎) by the China Academy of Management Science (中國管理科學研究院). Mr. Lu is Mr. Wu's brother-in-law.

Mr. ZHANG Haitao (張海濤), aged 44, is the chief executive officer of our Group. He was appointed as a Director on 14 June 2013 and re-designated as an executive Director on 21 January 2014. He is currently a director and the general manager of Dongguan BPT and Dongguan NHE. Mr. Zhang formulates and executes overall corporate directions and business strategies of our Group. He has approximately 18 years of experience in the textile industry. Mr. Zhang has worked in our Group since February 2003 and held the position of general manager of Dongguan BPT. Prior to working in our Group, Mr. Zhang worked for Pioneer Elastic Fabric (China) Company Limited (明新彈性織物(中國)有限公司) as the business manager between March 1995 and March 1998. Between January 1998 and April 1999, and later from July 2001 to May 2010, Mr. Zhang was the general manager of Dongguan Runda. Mr. Zhang has been a director of the Guangdong Textiles Association (廣東省紡織協會) since November 2009 and an individual life member of the Hong Kong General Chamber of Textiles Limited (香港紡織商會) since September 2013. Mr. Zhang completed a fashion technology course at the Beijing Institute of Fashion Technology (北京服裝學院) in July 1992 and further obtained a master's degree in software systems at the University of St. Thomas in the United States in May 2001. Mr. Zhang is the spouse of Ms. Zheng Tingting, a member of our senior management team.

Mr. WU Shaolun (吳少倫), aged 49, is an executive Director. He was appointed as a Director on 14 June 2013 and re-designated as an executive Director on 21 January 2014. He is currently a director and the deputy general manager of Dongguan BPT and Dongguan NHE. Mr. Wu is principally responsible for our Group's infrastructure and the general management of Dongguan BPT and Dongguan NHE. He has over 18 years of experience in the textile industry. Prior to joining our Group, Mr. Wu worked in Dongguan Runda as the deputy general manager from April 1995 to May 2010. Since February 2003, Mr. Wu has been the deputy general manager of Dongguan BPT. In addition, he has been the deputy general manager of Dongguan NHE since 2010. Mr. Wu has been a member of the High-tech Enterprises Association in Dongguan City (東莞市高新技術企業協會) since July 2009 and a director of the Dongguan City Association of Enterprises with Foreign Investment (東莞市外商投資企業協會) since November 2013. Mr. Wu is Mr. Lu's brother-in-law.

Independent Non-Executive Directors

Mr. CHEUNG Yat Ming (張一鳴), aged 45, was appointed as an independent non-executive Director on 8 May 2014. Mr. Cheung has extensive experience in the fields of investment, real

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

estate and property market research, corporate finance and auditing. Prior to joining our Group, Mr. Cheung was a staff accountant and semi-senior accountant at Arthur Andersen & Co. in Hong Kong and China from August 1991. In August 1994, Mr. Cheung joined Citicorp Commercial Finance (HK) Limited as an administration and accounting manager and was promoted with Citibank's corporate title of assistant vice-president in September 1996. In October 1997, he joined Salomon Brothers Hong Kong Limited as an equity research associate. Mr. Cheung joined Donaldson, Lufkin & Jenrette as a research associate in its equity department in May 1999. In November 2000, Mr. Cheung joined HSBC Markets (Asia) Limited as its head of Hong Kong and China property research. In 2005, Mr. Cheung joined Cohen & Steers Asia Limited as an executive director and a vice-president in its investment research department and was promoted in January 2007 as a senior vice-president and Asia Pacific chief investment officer. In June 2009, Mr. Cheung joined DBS Vickers (Hong Kong) Limited as its head of research. From August 2011 to June 2013, Mr. Cheung worked as the chief investment officer of Neutron Greater China Equity Long/Short Fund as managed by Neutron INV Partners Limited. Since June 2013, Mr. Cheung has been the executive director, chief executive officer and responsible officer of New Century Asset Management Limited, which is the manager of New Century Real Estate Investment Trust, a REIT listed on the Stock Exchange (Stock Code: 1275). Since March 2014, Mr. Cheung has also taken up the position as an independent non-executive director of Springland International Holdings Limited, a company listed on the Stock Exchange (Stock Code: 1700). Mr. Cheung is licensed by the SFC to carry out Type 9 (asset management) regulated activity. He became a certified public accountant of the Hong Kong Institute of Certified Public Accountants in January 1995, a fellow of the Association of Chartered Certified Accountants in September 1999 and a chartered accountant of the Institute of Chartered Accountants in England and Wales in September 2007. Further in June 2010, Mr. Cheung received the Outstanding Chinese Business Leader Award (中華傑出商業領袖獎) from the HongQi (紅旗畫刊) and China Report (中國報道). Mr. Cheung graduated from the Hong Kong Polytechnic University with a bachelor's degree in accountancy in November 1991.

Mr. Cheung was appointed as a director of Neutron Greater China Equity Long/Short Fund, an exempted limited company incorporated in the Cayman Islands on 11 June 2010 to conduct securities investment business. The company had ceased to trade and was not in operation, had no assets, nor liabilities to creditors, shareholders or any other third party at the time when the directors of the company, one of whom was Mr. Cheung, and the shareholders of the company believed that it was for the best interests of the company to be struck off from the register of companies in the Cayman Islands. The company was subsequently struck off from the register on 31 December 2013. Mr. Cheung was also a director of Neutron Capital Management Ltd., an exempted limited company incorporated in the Cayman Islands on 11 June 2010 to conduct securities investment business. The company had ceased to trade and was not in operation, it also had no assets, nor liabilities to creditors, shareholders or any other third party at the time when the directors of the company, one of whom was Mr. Cheung, and the shareholders of the company believed that it was for the best interests of the company to be struck off from the register of companies in the Cayman Islands. The company was subsequently struck off from the register on 31 December 2013.

Mr. DING Baoshan (丁寶山), aged 51, was appointed as an independent non-executive Director on 8 May 2014. Prior to joining our Group, Mr. Ding was an executive director of Denway Motors Limited, which was initially listed on the Stock Exchange but was delisted in 2010 upon its privatisation, from 2000 to 2007. Starting from July 2000, Mr. Ding also worked as the chief economist and the deputy general manager of Guangzhou Automobile Industry Group

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Company Limited (廣州汽車工業集團有限公司), managing various departments until October 2007. Since 2008, he was the general manager of Beijing Shenshi Huaxuan Investment Company Limited (北京盛世華軒投資有限公司). Starting from May 2011, he has been an independent director of Qinghai Huading Industrial Company Limited (青海華鼎實業股份有限公司), a company listed on the Shanghai Stock Exchange (Stock Code: 600243). Mr. Ding has also taken up the position as the chairman and an executive director of Pizu Group Holdings Limited, a company listed on the Stock Exchange (Stock Code: 8053) since December 2012. Mr. Ding graduated from the Beijing Iron and Steel Institute (北京鋼鐵學院) with a bachelor's degree in mining machinery in July 1985. In June 1988, Mr. Ding completed a master's degree in engineering at Beijing University of Science and Technology (北京科技大學) in the PRC. Mr. Ding graduated from the China Social Science Institute (中國社會科學院) with a doctorate degree in philosophy in economics in July 1991.

Mr. SAI Chun Yu (余振宇), aged 33, was appointed as an independent non-executive Director on 8 May 2014. Mr. Sai has over 10 years of experience in audit, accounting, taxation and business consultancy. Prior to joining our Group, Mr. Sai worked at Ting Ho Kwan & Chan Certified Public Accountants from August 2002 to February 2006. Later in March 2006, Mr. Sai worked at KPMG as an assistant manager. Mr. Sai has been the managing partner of CCS & Company, Certified Public Accountants since March 2008. Since March 2012, Mr. Sai has been an independent non-executive director of Yueshou Environmental Holdings Limited, a company listed on the Stock Exchange (Stock Code: 1191). In February 2006, Mr. Sai was admitted as a member of the Association of Chartered Certified Accountants. In September 2007, Mr. Sai became a certified public accountant of the Hong Kong Institute of Certified Public Accountants and was later registered as a certified public accountant (practising) in February 2008 with the same institute. Mr. Sai graduated from the Chinese University of Hong Kong with a bachelor's degree in business administration in December 2002.

Save as disclosed in this prospectus, each of our Directors has confirmed that (i) he has no other interests in our Shares within the meaning of Part XV of the SFO, (ii) he is independent from, and is not related to, any other Directors, members of senior management, substantial Shareholders or Controlling Shareholders, (iii) he has not held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years, and (iv) there is no other information which is required to be disclosed pursuant to any of the requirements under Rules 13.51(2)(h) to (v) of the Listing Rules nor are there any matters which need to be brought to the attention of the Shareholders in connection with his appointment as a Director.

SENIOR MANAGEMENT

Mr. CHAN Yiu Sing (陳耀星), aged 35, is the chief financial officer and company secretary of our Group. Mr. Chan is responsible for ensuring and maintaining the standards of corporate governance of our Group. Mr. Chan has over eight years of experience in audit, investment, accounting and finance. He joined an international audit firm in February 2006 and was a manager of such audit firm until May 2012 prior to joining our Group in September 2013. Mr. Chan graduated from the University of New South Wales in Australia with a master's degree in commerce in June 2005 and a bachelor's degree in accounting and finance in October 2003. He has been a member of the Hong Kong Institute of Certified Public Accountants since September 2009.

Ms. ZHENG Tingting (鄭婷婷), aged 39, is the vice-president (marketing) of our Group and is responsible for developing and implementing the overall sales and marketing strategies of our Group. Prior to joining our Group, Ms. Cheng joined the Guangzhou office of Parker Pen (Shanghai) Limited as a sourcing specialist in January 2004. In December 2006, Ms. Zheng joined

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Dongguan Runda and worked as the vice president when she left in May 2010 and she has since joined Dongguan NHE in the same capacity. Also, starting from December 2006, Ms. Zheng worked as a sales manager in Dongguan BPT and since December 2008, she has been promoted as the vice-president (marketing) of our Group. Ms. Zheng graduated from the English department of the Xi'an Translation College (西安翻譯培訓學院) in the PRC in June 1996. Ms. Zheng is the spouse of Mr. Zhang.

Mr. CAO Guangjin (曹光瑾), aged 36, is the vice-president (production) of Dongguan BPT and he is responsible for planning, directing and coordinating the effective production of our products in Dongguan BPT. Prior to joining our Group, Mr. Cao worked at Pacific (Panyu) Textiles Ltd. (互太(番禺)紡織有限公司) between August 1999 and December 2002. In May 2006, Mr. Cao joined Dongguan BPT as the laboratory manager and since March 2009, he has worked as the vice-president (production). Mr. Cao obtained a degree in dyeing and finishing engineering at the Wuhan Institute of Textiles (now known as Wuhan Textile University) (武漢紡織工學院 (現名武漢紡織大學)) in the PRC in July 1999.

Mr. HE Zhongpin (何仲聘), aged 43, is the vice-president (production) of Dongguan NHE and he is responsible for planning, directing and coordinating the effective development and production of our products in Dongguan NHE. Prior to joining our Group, Mr. He worked as a technician in Pioneer Elastic (China) Limited (明新彈性織物(中國)有限公司) between April 1996 and October 1998. In October 1998, Mr. He joined Dongguan Runda and left in March 2006. He later rejoined Dongguan Runda in July 2006 and was transferred to Dongguan NHE as the vice-president (production) in May 2010. Mr. He completed a four-year course in manufacturing of silk at the Chengdu Institute of Textiles Industry (成都紡織工業學校) in the PRC in July 1991.

Mr. SHI Jiangzhi (石蔣志), aged 36, is the vice-president (research and development) of our Group and he is responsible for leading the efforts to develop innovative technologies in support of our Group's strategic research and development plans. Prior to joining our Group, Mr. Shi worked in various departments of Dongguan Runda between March 2001 and March 2004. Then immediately afterwards, Mr. Shi joined our Group as a supervisor of the planning department and worked as a manager and supervisor in various departments in Dongguan BPT between 2004 and 2011. Since April 2011, he has been promoted as the vice-president (research and development). Mr. Shi was granted a certificate in computer application by the Hunan College of Textiles 湖南紡織高等專科學校 (now known as Hunan Institute of Engineering) (現湖南工程學院) in the PRC in June 1998 and was granted a certificate for completing a 3 year course in textile engineering in June 1999 from the same Hunan College of Textiles and was further awarded a certificate in electrical maintenance by the Labour Bureau in Xiangtan City (湘潭市勞動局) in June 1999.

Mr. XU Jie (徐傑), aged 36, is the vice-president (human resources) of Dongguan BPT and he is responsible for overseeing the development and implementation of human resources policies programmes of our Group. Prior to joining our Group, Mr. Xu worked in Foshan Nanhai Mattel Precision Die-casting Limited (佛山市南海美泰精密壓鑄有限公司) between March 1999 and August 2002. In May 2007, Mr. Xu joined Dongguan BPT and took up the position as the project manager and was then promoted as the vice-president (human resources) in December 2008. Mr. Xu was recognised as a qualified construction project management engineer by the Human Resources Department in Dongguan City (東莞市人力資源局) in February 2011 and an Outstanding Youth in Dongguan City (東莞市優秀青年) in July 2011. He was also named as the Outstanding Member of Enterprise Technological Work in Dongguan (東莞市企業科技工作優秀會員) in January 2011. Mr. Xu completed a 3 year course in industrial and civil construction (工業與民用建築) at the Guangdong University of Industry (廣東工業大學) in June 1999.

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COMPANY SECRETARY

Mr. CHAN Yiu Sing (陳耀星), aged 35, was appointed as the company secretary of our Company on 17 January 2014. Please refer to the paragraph above headed “— Senior Management” in this section for further information of Mr. Chan.

BOARD COMMITTEES

Our Company established an audit committee, a remuneration committee and a nomination committee on 8 May 2014 in compliance with Rules 3.21 and 3.22 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of our audit committee are to review and supervise our financial reporting process and internal control system and to provide advice and comments to our Board. Our remuneration committee is responsible to review and determine the terms of remuneration packages, bonuses and other compensation payable to our Directors and the senior management personnel of our Group. Our nomination committee is responsible to make recommendations to our Board regarding the candidates for directorship, either to fill vacancies or to appoint additional Directors.

<u>Name of Director</u>	<u>Audit Committee</u>	<u>Remuneration Committee</u>	<u>Nomination Committee</u>
Executive Directors			
Mr. Lu Yuguang	—	M	C
Mr. Zhang Haitao	—	—	—
Mr. Wu Shaolun	—	—	—
Independent non-executive Directors			
Mr. Cheung Yat Ming	M	M	M
Mr. Ding Baoshan	M	C	M
Mr. Sai Chun Yu	C	—	—

Notes:

“C” represents chairman of the relevant Board committee

“M” represents member of the relevant Board committee

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, we must have a sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must ordinarily reside in Hong Kong. Given that our business and operations are primarily located, managed and conducted in the PRC and none of the executive Directors ordinarily reside in Hong Kong, we do not, and for the foreseeable future will not, have two executive Directors residing in Hong Kong. Accordingly, we have applied to the Stock Exchange for a waiver from compliance with the requirements under Rule 8.12 of the Listing Rules. For further details, please refer to the section headed “Waivers from Strict Compliance with the Listing Rules” in this prospectus.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

For the years ended 31 December 2011, 2012 and 2013, the aggregate amount of remuneration, including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses which were paid to our Directors were HK\$10.7 million, HK\$9.3 million and HK\$9.3 million, respectively. Under the arrangements currently in force, we estimate the aggregate remuneration, excluding discretionary bonuses,

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

payable to our Directors for the year ending 31 December 2014 to be approximately HK\$8.8 million.

For the years ended 31 December 2011, 2012 and 2013, the aggregate amount of remuneration, including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses which were paid to our senior management were HK\$2.5 million, HK\$2.7 million and HK\$4.6 million, respectively.

The aggregate amount of remuneration including fees, salaries, contributions to pension schemes, housing allowances and other 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 2011, 2012 and 2013 was approximately HK\$11.9 million, HK\$10.6 million and HK\$11.1 million, respectively.

No remuneration was paid by our Group to our Directors or the five highest paid individuals as an inducement to join or upon joining our Group or as a compensation for loss of office during the Track Record Period. Further, none of our Directors waived any remuneration during the same period.

Further details of the terms of the above service agreements are set out in the section headed “Statutory and General Information – C. Further information about our Directors and substantial Shareholders – 1. Directors – (b) Particulars of service contracts” in Appendix V to this prospectus.

PRE-IPO SHARE OPTION SCHEME AND THE SHARE OPTION SCHEME

Our Company has conditionally adopted the Pre-IPO Share Option Scheme and the Share Option Scheme. The principal terms of the Pre-IPO Share Option Scheme and the Share Option Scheme are summarised in the section headed “Statutory and General Information — D. Pre-IPO Share Option Scheme and the Share Option Scheme” in Appendix V to this prospectus.

COMPLIANCE ADVISER

In accordance with Rule 3A.19 of the Listing Rules, our Company has appointed CCBI as our compliance adviser, who will have access to our authorised representatives, executive Directors and other officers at all reasonable times.

The compliance adviser will advise us on on-going compliance requirements and other issues under the Listing Rules and other applicable laws and regulations in Hong Kong after the Global Offering. The material terms of the compliance adviser’s agreement to be entered into between our Company and the compliance adviser are as follows:

- (a) our Company has appointed CCBI as its compliance adviser for the purpose of Rule 3A.19 of the Listing Rules for a period commencing on the Listing Date and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of the financial results for the first full financial year of our Group commencing after such Listing Date, or until the agreement is terminated, whichever is earlier;
- (b) CCBI shall provide our Company with services, including guidance and advice as to compliance with the requirements under the Listing Rules and applicable laws, rules, codes and guidelines;

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

- (c) our Company shall consult with and, if necessary, seek advice from CCBI on a timely basis in the following circumstances:
 - (i) before the publication of any regulatory announcement, circular or financial report;
 - (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
 - (iii) where our Company proposes to use the proceeds of the Listing in a manner different from that detailed in this prospectus or where the business activities, developments or results of our Group deviate from any forecast, estimate, or other information in this prospectus;
 - (iv) where the Stock Exchange makes an inquiry of the listed issuer under Rule 13.10 of the Listing Rules;
- (d) our Company has agreed to indemnify CCBI for certain actions against it and losses incurred by it arising out of or in connection with the performance by CCBI of its duties under the agreement; and
- (e) our Company may terminate the appointment of CCBI as its compliance adviser only if its work is of an unacceptable standard as determined under the Listing Rules and the relevant laws and regulations or if there is a material dispute (which cannot be resolved within 30 days) over fees payable to it as permitted by Rule 3A.26 of the Listing Rules. CCBI will have the right to resign or terminate its appointment by service of a 30-day notice to our Company if our Company materially breaches the agreement.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, the following persons will, immediately following the completion of the Global Offering and the Capitalisation Issue (assuming the Over-allotment Option is not exercised and taking no account of the options which were granted under the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme), the following persons will have an interest or short position in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name of Shareholder	Company/name of member of our Group	Capacity	Shares held immediately prior to the Global Offering and the Capitalisation Issue	Approximate percentage of shareholding	Shares held immediately following the completion of the Global Offering and the Capitalisation Issue ^(Note 3)	Approximate percentage of shareholding
Mr. Lu ^(Note 1)	Our Company	Interest in a controlled corporation	994,500	85%	637,500,000	63.75%
Grandview	Our Company	Beneficial interest	994,500	85%	637,500,000	63.75%
Mr. Zhang ^(Note 2) . .	Our Company	Interest in a controlled corporation	117,000	10%	75,000,000	7.50%
Sunbrilliant	Our Company	Beneficial interest	117,000	10%	75,000,000	7.50%

Notes:

- (1) These Shares are registered in the name of Grandview, which is wholly-owned by Mr. Lu. Under the SFO, Mr. Lu is deemed to be interested in all the Shares registered in the name of Grandview.
- (2) These Shares are registered in the name of Sunbrilliant, which is wholly-owned by Mr. Zhang. Under the SFO, Mr. Zhang is deemed to be interested in all the Shares registered in the name of Sunbrilliant.
- (3) Assuming the Over-allotment Option is not exercised and taking no account of the options which were granted under the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme.

If the Over-allotment Option is exercised in full, the beneficial interests of each of Grandview and Sunbrilliant will be approximately 61.45% and 7.23%, respectively.

Save as disclosed in this prospectus, our Directors are not aware of any person who will, immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised and taking no account of the options which were granted under the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme), have an interest or short position in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

SHARE CAPITAL

AUTHORISED AND ISSUED SHARE CAPITAL

The following table is prepared on the basis that the Global Offering becomes unconditional.

<i>Authorised share capital:</i>	<i>HK\$</i>
50,000,000,000 Shares	500,000,000

Issued and to be issued, fully paid or credited as fully paid, upon completing of the Global Offering (assuming that the Over-allotment Option is not exercised):

1,170,000	Shares in issue as at the date of this prospectus	11,700
748,830,000	Shares to be issued pursuant to the Capitalisation Issue	7,488,300
250,000,000	Shares to be issued pursuant to the Global Offering	2,500,000
<u>1,000,000,000</u>	Total	<u>10,000,000</u>

Shares in issue or to be issued, paid-up or credited as fully paid upon completion of the Global Offering (assuming that the Over-allotment Option is exercised in full):

1,170,000	Shares in issue as at the date of this prospectus	11,700
748,830,000	Shares to be issued pursuant to the Capitalisation Issue	7,488,300
287,500,000	Shares to be issued pursuant to the Global Offering	2,875,000
<u>1,037,500,000</u>	Total	<u>10,375,000</u>

Assumptions

The above tables assume that the Global Offering has become unconditional and our Shares are issued pursuant thereto. It does not take into account of any Shares (i) which may be allotted and issued upon the exercise of any options which were granted under the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme; or (ii) which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of Shares granted to our Directors as referred to below or otherwise.

Ranking

The Shares that may be issued pursuant to the Over-allotment Option or upon the exercise of options which were granted under the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme will rank *pari passu* in all respects with all Shares in issue and/or to be issued and will qualify for all dividends or other distributions declared, paid or made on our Shares after the date of this prospectus except for the Capitalisation Issue.

PRE-IPO SHARE OPTION SCHEME AND SHARE OPTION SCHEME

Our Directors (including independent non-executive Directors) and employees are entitled to participate in the Pre-IPO Share Option Scheme and the Share Option Scheme. The principal terms of the Pre-IPO Share Option Scheme and the Share Option Scheme are summarised under the section headed “Statutory and General Information — D. Pre-IPO Share Option Scheme and Share Option Scheme” in Appendix V to this prospectus.

SHARE CAPITAL

GENERAL MANDATE GIVEN TO OUR DIRECTORS TO ISSUE NEW SHARES

Subject to the Global Offering becoming unconditional, a general unconditional mandate has been granted to our Directors to allot, issue and deal with unissued Shares with an aggregate nominal value of not more than the sum of:

- 20% of the aggregate nominal amount of Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue (assuming the Over-allotment Option is not exercised and taking no account of the options which were granted under the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme); and
- the aggregate nominal amount of Shares repurchased by our Company under the authority referred to in the paragraph headed “— General mandate given to our Directors to repurchase Shares” in this section.

The aggregate nominal value of our Shares which our Directors are authorised to allot and issue under this mandate will not be reduced by the allotment and issue of Shares under a rights issue, scrip dividend scheme or similar arrangement in accordance with our Articles, or pursuant to the exercise of options which were granted under the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme or under the Global Offering or the Capitalisation Issue or upon the exercise of the Over-allotment Option.

This mandate will expire:

- at the conclusion of our Company’s next annual general meeting; or
- upon the expiration of the period within which our Company is required by any applicable laws or its Articles to hold our next annual general meeting; or
- when varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

Particulars of this general mandate are set forth under the section headed “Statutory and General Information — A. Further information about our Company and our Subsidiaries — 3. Resolutions in writing of all Shareholders passed on 8 May 2014” in Appendix V to this prospectus.

GENERAL MANDATE GIVEN TO OUR DIRECTORS TO REPURCHASE SHARES

Subject to the Global Offering becoming unconditional, a general unconditional mandate has been granted to our Directors to exercise all the powers of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of Share Offer and the Capitalisation Issue (assuming the Over-allotment Option is not exercised and taking no account of the options which were granted under the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which our Shares are listed (and which are recognised by the SFC and the Stock

SHARE CAPITAL

Exchange for this purpose), and which are made in accordance with the Listing Rules. Further information required by the Stock Exchange to be included in this prospectus regarding the repurchase of Shares is set out in the section headed “Statutory and General Information — A. Further information about our Company and our Subsidiaries — 7. Repurchase by our Company of its own securities” in Appendix V to this prospectus.

This mandate will expire:

- at the conclusion of our Company’s next annual general meeting; or
- upon the expiration of the period within which our Company is required by any applicable laws or its Articles to hold our next annual general meeting; or
- when varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

Particulars of this general mandate are set forth in the section headed “Statutory and General Information — A. Further information about our Company and our Subsidiaries — 3. Resolutions in writing of all Shareholders passed on 8 May 2014” in Appendix V to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Our Company has only one class of shares, namely ordinary shares, each of which ranks *pari passu* with the other shares.

Pursuant to the Cayman Islands Companies Law and the terms of the Memorandum and the Articles, our Company may from time to time by ordinary resolution of shareholders (i) increase its capital; (ii) consolidate and divide its capital into Shares of larger amount; (iii) divide its Shares into several classes; (iv) subdivide its Shares into Shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may, subject to the provisions of and any confirmation or consent required by the Cayman Islands Companies Law, reduce its share capital, any capital redemption reserve or other undistributable reserve in any manner permitted by law by its shareholders passing a special resolution. For further details, please refer to the section headed “Summary of the Constitution of our Company and Cayman Islands Companies Law — Articles of Association — Alteration of capital” in Appendix IV to this prospectus.

Pursuant to the Cayman Islands Companies Law and the terms of the Memorandum and the Articles, all or any of the special rights attached to our Shares or any class of our Shares may, unless otherwise provided by the terms of issue of the shares of that class, be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of our Shares of that class. For further details, please refer to the sections headed “Summary of the Constitution of our Company and Cayman Islands Companies Law — Articles of Association — Variation of rights of existing shares or classes of shares” in Appendix IV to this prospectus.

FINANCIAL INFORMATION

You should read this section in conjunction with our audited combined financial statements, including the notes thereto, as set out in “Appendix I — Accountants’ Report” and other financial information appearing elsewhere in this prospectus. The financial statements have been prepared in accordance with HKFRS, which may differ in material respects from generally accepted accounting principles in other jurisdictions, including the United States.

The following discussion and analysis contain certain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on the assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate under the circumstances. However, whether the actual outcome and developments will meet our expectations and predictions will depend on a number of risks and uncertainties over which we do not have control. Please see the section headed “Risk Factors” in this prospectus for further details.

OVERVIEW

We are a one-stop solutions provider of lingerie materials. We were the largest lingerie materials manufacturer in the world in terms of sales revenue in 2012 with a market share of approximately 2.3%, ranking first in the manufacture of elastic fabrics and second in the manufacture of elastic webbing, according to the Frost & Sullivan Report. We are one of the few lingerie materials manufacturers in the world that are able to provide one-stop solutions to lingerie brand owners through our comprehensive product line of lingerie materials, including elastic fabrics, elastic webbing and lace.

We have established long-term and close collaborations with leading lingerie brands including Aimer, Chantelle, Embry Form, Maniform, Marks & Spencer, Spanx, Triumph, Victoria’s Secret and Wacoal[^]. Through our strong innovative and product development capabilities, we not only manufacture lingerie materials for these brands, but also jointly develop new lingerie materials and products with the aim of creating new market trends for lingerie products. We believe that our close collaboration with brand owners allow us to not only keep abreast of the latest trend and demand for the different types of lingerie materials, but also allow us to be part of the trend setters and enhance our relationship with the brand owners. As at the Latest Practicable Date, we had business relationships with such leading lingerie brands for a period ranging from five to 10 years.

Depending on the arrangements with lingerie brand owners, we either directly enter into contracts with lingerie brand owners or enter into contracts with their designated OEMs for our products. For contracts entered into directly with lingerie brand owners, such as Aimer, Embry Form, Maniform, Triumph and Wacoal[^], the lingerie brand owners directly place their purchase orders with us for the procurement of our products, such as elastic fabrics, elastic webbing and lace, of which they will further manufacture into lingerie products. For lingerie brand owners which we do not have direct contractual arrangements with, such as Chantelle, Marks & Spencer, Spanx and Victoria’s Secret[^], they may instruct their OEMs to place orders with us for our products as these brand owners usually drive the lingerie materials procurement process by selecting their desired lingerie materials suppliers.

Note:

[^] brands are arranged in alphabetical order

FINANCIAL INFORMATION

We have started to broaden our customer base by expanding into new segments and markets. In the second half of 2012, we established our lace business segment to broaden our product offerings and to enlarge our market share in the global lingerie materials market which usually generates a higher gross profit margin compared to other lingerie materials. Further, given the similarities in the specification and functionality of elastic fabrics and elastic webbing used in lingerie and sportswear, we began to further expand into the sportswear materials market by offering elastic fabrics and elastic webbing to sportswear brand owners or sportswear manufacturers for the production of sportswear such as sports bras, cycling, running and yoga outfits and casual apparels. We began to cooperate with certain well-known sportswear brands such as Under Armour in 2012 and Lululemon in 2013 and will continue to seek for potential collaborations with other sportswear brands.

Our research and development team works with the design departments of lingerie brand owners and lingerie manufacturers to turn their design concepts into new products to adapt to evolving consumer demands after which we may provide the newly developed products to them on an exclusive basis. On the other hand, our research and development team works closely with our major raw materials suppliers, who are leading players in the nylon and spandex industries, to develop new fabrics or materials to meet lingerie brand owners' and lingerie manufacturers' specifications. We believe our strong research and development capabilities can assist us in strengthening and maintaining our collaborations with lingerie brands and raw material suppliers.

Our revenue increased from HK\$1,397.1 million for the year ended 31 December 2011 to HK\$1,659.4 million for the year ended 31 December 2013, representing a CAGR of 9.0%. Our profit for the year increased from HK\$205.9 million for the year ended 31 December 2011 to HK\$244.5 million for the year ended 31 December 2013, representing a CAGR of 9.0%.

BASIS OF PREPARATION

In preparation for the Listing, we underwent the Reorganisation, as detailed in the section headed "History, Reorganisation and Corporate Structure" in this prospectus and the section headed "Statutory and General Information — A. Further Information about our Company and our Subsidiaries — 4. Reorganisation" in Appendix V to this prospectus.

The combined statements of profit or loss and other comprehensive income and combined statements of cash flows, which include the results and cash flows of the companies now comprising our Group for the Track Record Period, have been prepared as if our Company had been the holding company of our Group and the current group structure had been in existence throughout the Track Record Period, or since their respective dates of establishment or incorporation, where there is a shorter period (except for the disposal of Deluxe Royal).

The combined statements of financial position at the end of each reporting period have been prepared to present the assets and liabilities of the companies now comprising our Group as if the current group structure had been in existence at those dates, taking into account the effective date of establishment or incorporation, where applicable (except for the disposal of Deluxe Royal).

For more information on the basis of presentation and preparation of our financial information included herein, please see the Accountants' Report included as Appendix I to this prospectus.

FINANCIAL INFORMATION

PRINCIPAL FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our financial condition and results of operations have been, and are expected to continue to be, affected by a number of factors, including the following:

Relationship with our customers and lingerie brand owners

Our ongoing growth and profitability are significantly dependent on our ability to maintain close and mutually beneficial relationships with lingerie brand owners and existing customers and to expand our customer portfolio to increase the demand for our products. We do not enter into any long-term agreements with our customers. As such, it is very important for us to maintain good relationships with our customers. It is also very important for us to maintain good relationships with lingerie brand owners as they may instruct their OEMs to purchase lingerie materials from us. Apart from our relationships with lingerie brand owners and our current customers, our financial results will also depend on our ability to expand our customer base and generate additional orders for our products. If we are unable to maintain stable relationships with lingerie brand owners and our customers, our revenue and financial results may be adversely affected.

Product mix

Our revenue and profitability is affected by our product mix as different products have different selling prices and profitability. Our product mix is also largely dependent on the fashion trends. During the Track Record Period, the majority of our revenue was derived from our elastic fabrics and elastic webbing segments. As we expand our lace segment, which commenced production in the second half of 2012, we also expect lace products to contribute a larger percentage of our total revenue and total profit as lace usually generates a higher gross profit margin compared to other lingerie materials. During the Track Record Period, our elastic fabrics were sold at higher average selling prices than lace and elastic webbing. As part of our effort to maximise our revenue stream, we may continuously adjust our product mix by developing and introducing new products that we believe will satisfy consumer demand. Our revenue, profitability and financial results will be affected by any changes in our product mix.

Raw materials

Our ability to source a steady supply of raw materials at reasonable prices is one of the key factors affecting our results of operations. Our principal raw materials include nylon and spandex. We procure raw materials for our internal production. Our cost of raw materials amounted to HK\$632.5 million, HK\$591.5 million and HK\$681.6 million for the years ended 31 December 2011, 2012 and 2013, respectively, representing 66.6%, 62.0% and 59.9% of our total cost of sales for the same periods. Any increase in the cost of raw materials will affect our total cost of sales. Our performance in the future will depend on our bargaining power with our suppliers and our ability to pass such increases on to our customers. If we are unable to pass on the increased costs to our customers in the future, our business, financial results and results of operations may be materially and adversely affected.

Interest rates and finance costs

During the Track Record Period, we financed our operations and capital expenditures primarily from cash flow generated from our operating activities and bank borrowings. As commercial banks in the PRC and Hong Kong link the interest rates on their loans to benchmark lending rates published by the their local government authorities and the interest rates of our bank borrowings were floating rates during the Track Record Period, we expect that any increase in the

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benchmark lending rates will increase our effective interest rate and in turn increase our finance costs. As at 31 December 2011, 2012 and 2013, we had bank borrowings of HK\$752.6 million, HK\$861.3 million and HK\$797.2 million, respectively. During the Track Record Period, the effective interest rates on our borrowings ranged from 2.34% to 9.51%. Any increase in our finance costs would have a negative impact on our financial results and results of operations. As at 31 December 2013, if our borrowing interest rate decreased/increased by 1% per annum with all other variables held constant, our profit would have increased/decreased by HK\$8.0 million.

Labour costs

Our cost of sales is influenced by changes in labour costs in the PRC. In addition to inflation and other factors, the implementation of certain policies, such as the Labour Contract Law, may affect labour costs in the PRC. For the years ended 31 December 2011, 2012 and 2013, our direct labour costs accounted for 7.7%, 9.3% and 10.6% of our total cost of sales, respectively. If labour costs increase and we are unable to pass such increases on to our customers in a timely manner, our business, financial condition and results of operations may be materially and adversely affected.

Seasonality

Our business and results of operations are subject to seasonal fluctuations. We typically achieve higher revenue in the second half of a fiscal year. Revenue generated in the second half of the year accounted for approximately 56%, 57% and 56% of our total revenue for the years ended 31 December 2011, 2012 and 2013, respectively.

We believe our customers and OEMs of lingerie brand owners have higher demand for our products in the third and fourth quarters as they need to produce more lingerie products to cater to increased consumer demand during the holiday seasons in the United States and Europe such as Christmas near the year end. Our customers generally also place more purchase orders in the fourth quarter as our production facilities are closed during the Chinese New Year holiday.

Our sales, inventory levels and results of operations are likely to continue to fluctuate due to seasonality. Therefore, comparisons of sales and operating results between different periods within a single financial year may not be meaningful and should not be relied upon as indicators of our performance.

Economic conditions

The economic conditions in the United States, European Union and PRC may have a significant impact on our financial condition and results of operations. Economic conditions in these regions, including levels of consumer spending and disposable income, affect the demand for our customers' products, and in turn, demand for our products. According to the Frost & Sullivan Report, the nominal GDP of the U.S., European Union and the PRC is expected to grow at a CAGR of 4.6%, 4.2% and 9.0%, respectively, from 2012 to 2016. We believe that the economic growth in these regions will help increase demand for our products and contribute to the growth in our revenue. Any slow down or decline in economic conditions in these regions, however, may adversely affect consumer demand and our customers' demand for our products and therefore negatively affect our business, financial condition and results of operations.

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

We have identified certain accounting policies that are significant to the preparation of our financial information. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. The key sources of

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estimations and uncertainties in the application of our accounting policies, which are important for an understanding of our financial condition and results of operations, are set forth in detail in Note 5 to the Accountants' Report included in Appendix I in this prospectus.

When reviewing our financial information, you should consider (i) our selection of critical accounting policies; (ii) the judgment and other uncertainties affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions. We set forth below those accounting policies that we believe involve the most significant estimates and judgments used in the preparation of our financial information. Our estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Although we believe that these estimates are reasonable, the determination of these items requires management judgments based on information and financial data that may change in future periods, and as a result of which, actual results could differ from those estimates.

Deferred taxation on investment properties

For the purposes of measuring deferred taxation arising from investment properties that are measured using the fair value model, we reviewed our investment property portfolios and concluded that our investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time and that the presumption set out in amendment to HKAS 12 is not rebutted. Therefore, in measuring our deferred taxation on investment properties, we determined that the carrying amounts of investment properties measured using the fair value model are presumed to be recovered through sale.

Allowances for inventories

We review our inventory aging analysis at the end of the reporting period and identify the slow-moving inventory items that are no longer suitable for use in production or sales. We estimate the net realisable value for such inventories based primarily on the latest invoice prices, estimated costs of completion and current market conditions. In addition, we carry out an inventory review on an item-by-item basis at the end of each reporting period and provide necessary allowance if the net realisable value is estimated to be below the cost.

Allowances of HK\$6.4 million, HK\$7.4 million and HK\$6.3 million were made for obsolete inventories for the years ended 31 December 2011, 2012 and 2013, respectively. We believe our estimates have been accurate in the past.

Allowances for bad and doubtful debts

Our allowance for bad and doubtful debts is based on the evaluation of collectability and aging analysis of individual trade debts performed by our management. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

For the years ended 31 December 2011 and 2013, allowance for bad and doubtful debts of HK\$3.1 million and HK\$0.8 million were made, respectively, and for the year ended 31 December 2012, reversal of allowance for bad and doubtful debts of HK\$1.1 million was recognised. We believe our estimates have been accurate in the past.

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Useful life of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the relevant assets, after taking into account their estimated residual value, if any. We review the estimated useful lives of the assets annually in order to determine the amount of depreciation expenses to be recorded during the year. The useful lives are based on our historical experience with similar assets taking into account anticipated technological changes.

The depreciation expenses for future periods are adjusted if there are significant changes from previous estimates. During the Track Record Period, we determined that there was no change to the estimated useful lives of the property, plant and equipment. Depreciation expense was HK\$59.8 million, HK\$84.8 million and HK\$103.5 million for the years ended 31 December 2011, 2012 and 2013. We believe our estimates have been accurate in the past.

COMBINED RESULTS OF OPERATIONS

	Year ended 31 December		
	2011	2012	2013
	(HK\$'000)	(HK\$'000)	(HK\$'000)
Revenue	1,397,104	1,403,326	1,659,447
Cost of sales	(949,496)	(954,233)	(1,136,990)
Gross profit	447,608	449,093	522,457
Other income	17,027	24,559	26,297
Other gains and losses	(14,031)	7,201	3,399
Selling and distribution expenses	(62,122)	(68,800)	(75,976)
Administrative expenses	(78,900)	(84,881)	(90,075)
Other expenses	(21,479)	(36,779)	(44,521)
Finance costs	(44,432)	(50,162)	(40,424)
Profit before taxation	243,671	240,231	301,157
Income tax expense	(37,796)	(42,180)	(56,652)
Profit for the year	205,875	198,051	244,505
Profit attributable to:			
Owners of our Company	180,067	174,578	214,559
Non-controlling interests	25,808	23,473	29,946
	205,875	198,051	244,505

DESCRIPTION OF THE MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

During the Track Record Period, our revenue mainly consisted of sales of elastic fabrics and elastic webbing. We commenced production and sales of lace in the second half of 2012 as lace usually generates a higher gross profit margin compared to other lingerie materials. Our sales volume is mainly driven by customer demand, our average selling prices, and our ability to maintain a product mix that satisfies customers' preferences. Our sales are mainly denominated and settled in U.S. dollars, Hong Kong dollars and RMB.

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The following table sets forth the revenue, percentage of total revenue, total sales volume and average selling price of each of our products for the periods indicated:

	Year ended 31 December											
	2011				2012				2013			
	Revenue (HK\$'000)	% of revenue	Total sales volume ('000 m.)	Average selling price (HK\$/m.)	Revenue (HK\$'000)	% of revenue	Total sales volume ('000 m.)	Average selling price (HK\$/m.)	Revenue (HK\$'000)	% of revenue	Total sales volume ('000 m.)	Average selling price (HK\$/m.)
Elastic fabrics	938,119	67.1	23,159	40.51	928,821	66.2	22,539	41.21	1,075,977	64.8	27,518	39.10
Elastic webbing	458,985	32.9	525,752	0.87	473,706	33.7	521,034	0.91	563,511	34.0	608,448	0.93
Lace	—	—	—	—	799	0.1	37	21.40	19,959	1.2	1,194	16.72
Total	1,397,104	100.0	548,911		1,403,326	100.0	543,610		1,659,447	100.0	637,160	

The following table sets forth a breakdown of our revenue by major currencies for the periods indicated:

	Year ended 31 December					
	2011		2012		2013	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
U. S. dollars	602,050	43.1	620,842	44.3	771,590	46.5
RMB	486,867	34.8	487,259	34.7	547,415	33.0
Hong Kong dollars	308,187	22.1	295,225	21.0	340,442	20.5
Total	1,397,104	100.0	1,403,326	100.0	1,659,447	100.0

During the Track Record Period, our sales were mainly denominated in the U.S. dollars, RMB and Hong Kong dollars. Sales denominated in RMB generally represent sales within the PRC and sales denominated in U.S. dollars and Hong Kong dollars mainly represent export sales. The ratio of our revenue by major currencies remained relatively stable during the Track Record Period.

During the Track Record Period, our products were mainly sold to lingerie brand owners or their designated OEMs. Our revenue increased from HK\$1,397.1 million for the year ended 31 December 2011 to HK\$1,659.4 million for the year ended 31 December 2013, representing a CAGR of 9.0%.

Revenue generated from sales of elastic fabrics amounted to HK\$938.1 million, HK\$928.8 million and HK\$1,076.0 million for the years ended 31 December 2011, 2012 and 2013, respectively, representing 67.1%, 66.2% and 64.8% of our total revenue for the same periods. Our sales volume and average selling price of elastic fabrics remained stable for the years ended 31 December 2011 and 2012 at 23.2 million m. and 22.5 million m., respectively, and HK\$40.51 per metre and HK\$41.21 per metre, respectively. The revenue generated from our elastic fabrics segment increased from HK\$928.8 million for the year ended 31 December 2012 to HK\$1,076.0 million for the year ended 31 December 2013 primarily as a result of the increase in sales volume from 22.5 million m. to 27.5 million m. over the same period caused by the lowering of our selling price in 2013 for certain customers who made bulk purchases for our elastic fabrics.

Revenue generated from sales of elastic webbing increased from HK\$459.0 million for the year ended 31 December 2011 to HK\$473.7 million for the year ended 31 December 2012 primarily as a result of the slight increase in the average selling price for our elastic webbing

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segment. For the years ended 31 December 2011 and 2012, our average selling price of elastic webbing slightly increased by 4.6% from HK\$0.87 to HK\$0.91 due to changes in product mix. The revenue generated from the sales of elastic webbing increased from HK\$473.7 million for the year ended 31 December 2012 to HK\$563.5 million for the year ended 31 December 2013 primarily as a result of the increase in sales volume from 521.0 million m. to 608.4 million m. over the same period caused by the increase in demand for our elastic webbing as a result of improved market sentiment in 2013.

We launched our lace products in the second half of 2012 and generated sales of HK\$0.8 million and HK\$20.0 million for the year ended 31 December 2012 and 2013, respectively. The change in the average selling price of lace from HK\$21.4 per metre for year ended 31 December 2012 to HK\$16.7 per metre for the year ended 31 December 2013 was primarily due to the different product mix in our lace segment.

Cost of sales

Our cost of sales mainly comprises of cost of raw materials, manufacturing overheads, direct labour and sub-contracting fee. The following table sets forth a breakdown of our cost of sales for the periods indicated:

	Year ended 31 December					
	2011		2012		2013	
	(HK\$'000)	%	(HK\$'000)	%	(HK\$'000)	%
Raw materials	632,509	66.6	591,457	62.0	681,596	59.9
Manufacturing overheads	228,498	24.1	258,772	27.1	320,130	28.2
Direct labour	73,641	7.7	88,372	9.3	121,048	10.6
Sub-contracting fee	14,848	1.6	15,632	1.6	14,216	1.3
Total	949,496	100.0	954,233	100.0	1,136,990	100.0

The increase in our costs of sales from HK\$949.5 million for the year ended 31 December 2011 to HK\$954.2 million for the year ended 31 December 2012 was primarily due to the increase in our direct labour costs and manufacturing overheads partially offset by the decrease in our cost of raw materials. The increase in our costs of sales from HK\$954.2 million for the year ended 31 December 2012 to HK\$1,137.0 million for the year ended 31 December 2013 was primarily due to the increase in our cost of raw materials, manufacturing overheads and direct labour costs.

Our cost of raw materials represented 66.6%, 62.0% and 59.9% of our total cost of sales for the years ended 31 December 2011, 2012 and 2013, respectively. The major raw materials used in our production are nylon and spandex. The decrease in our cost of raw materials from HK\$632.5 million for the year ended 31 December 2011 to HK\$591.5 million for the year ended 31 December 2012 was primarily due to the decrease in the market prices of nylon and spandex in 2012. The increase in our cost of raw materials from HK\$591.5 million for the year ended 31 December 2012 to HK\$681.6 million for the year ended 31 December 2013 corresponds to the increase in our total sales volume from 543.6 million m. to 637.2 million m. over the same period.

Direct labour represented 7.7%, 9.3% and 10.6% of our total cost of sales for the years ended 31 December 2011, 2012 and 2013, respectively. Our direct labour costs consisted mainly of salaries and benefits for employees in our production. The increase in our direct labour costs over the Track Record Period was primarily due to the increase in the average salary of our production workers.

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Our manufacturing overheads represented 24.1%, 27.1% and 28.2% of our total cost of sales for the years ended 31 December 2011, 2012 and 2013, respectively. Our manufacturing overheads mainly comprised our utilities costs, depreciation and indirect labour costs. The increase in our manufacturing overheads from HK\$228.5 million for year ended 31 December 2011 to HK\$258.8 million for the year ended 31 December 2012 was primarily due to the increase in our depreciation as a result of the use of additional machineries to cater our expanded scale of operation. The increase in our manufacturing overheads from HK\$258.8 million for the year ended 31 December 2012 to HK\$320.1 million for the year ended 31 December 2013 was primarily due to the increase in our total sales volume.

Our sub-contracting fee represented our outsource cost for the manufacture of our products during peak seasons.

Cost of sales by product

The following table sets forth a breakdown of our cost of sales by product for the periods indicated:

	Year ended 31 December					
	2011		2012		2013	
	(HK\$'000)	%	(HK\$'000)	%	(HK\$'000)	%
Elastic fabrics	630,830	66.4	656,080	68.8	770,643	67.8
Elastic webbing	318,666	33.6	293,363	30.7	350,142	30.8
Lace	—	—	4,790	0.5	16,205	1.4
	949,496	100.0	954,233	100.0	1,136,990	100.0

During the Track Record Period, our cost of sales by product as a percentage of our total cost of sales remained relatively stable.

Gross profit and gross profit margin

The following table sets forth our gross profit and gross profit margin by product for the periods indicated:

	Year ended 31 December					
	2011		2012		2013	
	Gross Profit (HK\$'000)	Gross Profit Margin (%)	Gross Profit (HK\$'000)	Gross Profit Margin (%)	Gross Profit (HK\$'000)	Gross Profit Margin (%)
Elastic fabrics	307,289	32.8	272,741	29.4	305,334	28.4
Elastic webbing	140,319	30.6	180,343	38.1	213,369	37.9
Lace	—	—	(3,991)	-499.5	3,754	18.8
Total	447,608	32.0	449,093	32.0	522,457	31.5

Our gross profit increased from HK\$447.6 million for the year ended 31 December 2011 to HK\$449.1 million for the year ended 31 December 2012 and further to HK\$522.5 million for the year ended 31 December 2013. The increase in our gross profit during the Track Record Period was primarily due to the increase in our revenue. Our overall gross profit margin remained relatively stable during the Track Record Period.

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The decrease in the gross profit margin of elastic fabrics from 32.8% for the year ended 31 December 2011 to 29.4% for the year ended 31 December 2012 was primarily due to the increase in our cost of sales of elastic fabrics from HK\$630.8 million to HK\$656.1 million during the same period as a result of (i) the increase in our manufacturing overheads due to the increase in depreciation caused by the use of additional machineries; (ii) the increase in our direct labour costs; and (iii) partially offset by the decrease in our cost of raw materials as a result of the decrease in the market price of nylon and spandex in 2012. Our gross profit margin of our elastic fabrics segment remained relatively stable at 28.4% for the year ended 31 December 2013.

The increase in the gross profit margin of our elastic webbing segment from 30.6% for the year ended 31 December 2011 to 38.1% for the year ended 31 December 2012 was primarily due to (i) the increase in average selling price for our elastic webbing segment from HK\$0.87 per metre for the year ended 31 December 2011 to HK\$0.91 per metre for the year ended 31 December 2012; and (ii) the decrease in our cost of sales for our elastic webbing segment from HK\$318.7 million to HK\$293.4 million over the same period due to the decrease in our cost of raw materials as a result of the decrease in the market prices of nylon and spandex in 2012. Our gross profit margin of our elastic webbing segment remained relatively stable at 37.9% for the year ended 31 December 2013.

In the second half of 2012, we expanded our operations into the lace market which had a gross loss margin of 499.5% and a gross profit margin of 18.8% for the years ended 31 December 2012 and 2013, respectively. Our gross loss for the year ended 31 December 2012 was mainly a result of the depreciation we incurred for our lace machineries and our gross profit for the year ended 31 December 2013 was mainly a result of the increase in sales of our lace products.

Other income

Our other income mainly consisted of government grants, financial guarantee income, sales of scrap material income, bank interest income and others, which primarily consisted of compensation from our machinery suppliers for delayed delivery for the year ended 31 December 2012. Our financial guarantee income represents the release of the financial guarantee liability recognised in respect of the financial guarantee we provided in favour of certain related parties.

The following table sets forth the breakdown of our other income for the periods indicated:

	Year ended 31 December		
	2011	2012	2013
	(HK\$'000)	(HK\$'000)	(HK\$'000)
Government grants	4,304	1,822	6,909
Financial guarantee income	1,572	5,953	6,874
Sales of scrap material income	4,009	5,206	6,526
Bank interest income	4,367	5,561	4,994
Rental income	45	153	311
Interest income from a related company	—	895	—
Others	2,730	4,969	683
Total	17,027	24,559	26,297

The increase in our other income from HK\$17.0 million for the year ended 31 December 2011 to HK\$24.6 million for the year ended 31 December 2012 was primarily due to (i) increase in financial guarantee income; and (ii) the increase in our compensation from our machinery suppliers for the delayed delivery of machines, sale of scrap materials and bank interest income

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partially offset by the decrease in one-off government grants, which were given to us at the discretion of the PRC government in relation to our innovative capabilities. The increase in our other income from HK\$24.6 million for the year ended 31 December 2012 to HK\$26.3 million for the year ended 31 December 2013 was primarily due to the increase in one-off government grants, which were given to us at the discretion of the PRC government and income from the sale of scrap materials. Our Directors confirm that as at the Latest Practicable Date, there were no unfulfilled conditions in relation to such one-off government grants granted to us during the Track Record Period.

Other gains and losses

Our other gains and losses mainly consisted of change in fair value of investment properties, change in fair value of derivative financial instruments and foreign exchange gain/(loss) during the Track Record Period:

The following table sets forth the breakdown of our other gains and losses for the periods indicated:

	Year ended 31 December		
	2011	2012	2013
	(HK\$'000)	(HK\$'000)	(HK\$'000)
Change in fair value of investment properties	3,911	1,728	5,019
Change in fair value of derivative financial instruments	(663)	7,261	3,970
Change in fair value of held-for-trading investments	4	(28)	56
(Allowance for) reversal of bad and doubtful debts	(3,083)	1,066	(789)
Loss on disposal of property, plant and equipment	(84)	(27)	(476)
Foreign exchange gain	2,094	1,083	6,827
Foreign exchange loss	(16,210)	(3,882)	(11,231)
Gain on disposal of a subsidiary	—	—	23
Total	(14,031)	7,201	3,399

We recorded other losses of HK\$14.0 million and other gains of HK\$7.2 million for the years ended 31 December 2011 and 2012, respectively, primarily as a result of (i) lower net foreign exchange losses recognised in 2012; (ii) the increase in the change in fair value of derivative financial instruments; and (iii) reversal of bad and doubtful debts. The change in fair value of derivative financial instruments arose from the change in the fair value of our foreign exchange contracts. For further details, please refer to the section headed “Business — Foreign Exchange Contracts” in this prospectus. Our lower net foreign exchange losses for the year ended 31 December 2011 as compared to the year ended 31 December 2012 was primarily due to the relatively stable exchange rate between Hong Kong dollars/U.S. dollars and RMB in 2012. The decrease in our other gains from HK\$7.2 million for the year ended 31 December 2012 to HK\$3.4 million for the year ended 31 December 2013 was primarily due to the decrease in the change in fair value of derivative financial instruments and the increase in net foreign exchange loss due to the appreciation of RMB; partially offset by the increase in the change in fair value of investment properties due to the appreciation of property price in the PRC.

Selling and distribution expenses

Selling and distribution expenses mainly consists of staff costs, transportation, marketing and promotion expenses and other selling and distribution expenses. For the years ended 31 December 2011, 2012 and 2013, our selling expenses represented 4.4%, 4.9% and 4.6% of our total revenue, respectively.

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The following table sets forth a breakdown of our selling and distribution expenses for the periods indicated:

	Year ended 31 December		
	2011	2012	2013
	(HK\$'000)	(HK\$'000)	(HK\$'000)
Staff costs	25,159	27,774	32,252
Transportation	17,904	18,962	19,779
Marketing and promotion expenses	4,347	4,242	5,025
Motor vehicle expenses	2,806	3,264	3,810
Travelling expense	2,293	3,042	3,381
Entertainment expenses	3,431	3,095	3,238
Insurance	796	1,900	2,058
Others	5,386	6,521	6,433
Total	<u>62,122</u>	<u>68,800</u>	<u>75,976</u>

The increase in our selling and distribution expenses from HK\$62.1 million for the year ended 31 December 2011 to HK\$68.8 million for the year ended 31 December 2012 and further to HK\$76.0 million for the year ended 31 December 2013 were primarily due to the increase in our staff costs and transportation cost as a result of our expansion and increase in sales.

The increase in our staff costs from HK\$25.2 million for the year ended 31 December 2011 to HK\$27.8 million for the year ended 31 December 2012 and further to HK\$32.3 million for the year ended 31 December 2013 were primarily due to the increase in the average salary of our employees.

The increase in our transportation costs from HK\$17.9 million for the year ended 31 December 2011 to HK\$19.0 million for the year ended 31 December 2012 and further to HK\$19.8 million for the year ended 31 December 2013 were primarily due to the increase in the fees we paid to third party logistics service providers for the delivery of our products as a result of the increase in sales volume.

Our marketing and promotion expenses primarily represented our expenses for attending lingerie exhibitions and our motor vehicle expenses primarily represented expenses we incurred for our delivery team.

Administrative expenses

Administrative expenses mainly consists of staff costs, depreciation and amortisation, bank charges and other administration expenses. For the years ended 31 December 2011, 2012 and 2013, our administrative expenses represented 5.6%, 6.0% and 5.4% of our total revenue, respectively.

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The follow table sets forth a breakdown of our administrative expenses for the periods indicated:

	Year ended 31 December		
	2011	2012	2013
	(HK\$'000)	(HK\$'000)	(HK\$'000)
Staff costs	42,276	44,583	49,866
Depreciation and amortisation	5,103	5,473	5,361
Bank charges	4,184	4,895	5,087
Other taxes and surcharges	3,272	3,395	3,920
Motor vehicle expenses	2,443	3,121	3,835
Rental expenses	3,774	3,117	3,448
Professional fee	3,210	3,249	2,959
Utilities	1,738	2,960	2,690
Travelling and entertainment	1,851	2,762	2,647
Insurance	1,149	1,027	1,536
Others	9,900	10,299	8,726
Total	78,900	84,881	90,075

The increase in our administrative expenses from HK\$78.9 million for the year ended 31 December 2011 to HK\$84.9 million for the year ended 31 December 2012 and further to HK\$90.1 million for the year ended 31 December 2013 was primarily due to the expanded scale of our operations.

Other expenses

Other expenses primarily consists of materials costs, staff costs and depreciation in relation to our research and development and our expenses in relation to the Global Offering recognised.

The following table sets forth a breakdown of our other operating expenses for the periods indicated:

	Year ended 31 December		
	2011	2012	2013
	(HK\$'000)	(HK\$'000)	(HK\$'000)
Research and development expenses			
Materials costs	9,786	17,409	16,556
Staff costs	7,458	8,929	11,887
Depreciation	3,254	8,174	7,075
Others	981	1,773	2,580
Sub-total	21,479	36,285	38,098
Listing expenses	—	494	6,423
Total	21,479	36,779	44,521

The increase in our other expenses from HK\$21.5 million for the year ended 31 December 2011 to HK\$36.8 million for the year ended 31 December 2012 was primarily due to the increase in our materials costs and increase in our depreciation. The increase in materials costs from HK\$9.8 million for the year ended 31 December 2011 to HK\$17.4 million for the year ended 31 December 2012 and the increase in depreciation from HK\$3.3 million to HK\$8.2 million over

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the same period were primarily the results of the increase in the usage of materials and machineries for our research and development. The increase in our other expenses from HK\$36.8 million for the year ended 31 December 2012 to HK\$44.5 million for the year ended 31 December 2013 was primarily due to the increase in our expenses in relation to the Global Offering recognised and increase in our staff costs as we hired additional personnel to strengthen our research and development capabilities.

Finance costs

Our finance costs represent interest expenses from bank borrowings, net of interest expenses capitalised. The increase in our finance costs from HK\$44.4 million for the year ended 31 December 2011 to HK\$50.2 million for the year ended 31 December 2012 was primarily due to the increase in our bank borrowings to fund our capital expenditures and expansion. Our finance costs decreased from HK\$50.2 million for the year ended 31 December 2012 to HK\$40.4 million for the year ended 31 December 2013 as we refinanced part of our bank borrowings in the PRC to Hong Kong, which has a lower interest rate.

Income tax expense

The following table sets forth a breakdown of our income tax expense for the periods indicated:

	Year ended 31 December		
	2011	2012	2013
	(HK\$'000)	(HK\$'000)	(HK\$'000)
Current tax:			
Hong Kong Profits Tax	20,314	13,442	17,159
EIT	19,431	23,930	35,927
The PRC withholding tax	—	5,000	—
PRC EIT under-provision in prior years	—	—	2,229
	39,745	42,372	55,315
Deferred tax	(1,949)	(192)	1,337
Total	37,796	42,180	56,652

Hong Kong Profits Tax was calculated at 16.5% on the estimated assessable profit for the years ended 31 December 2011, 2012 and 2013.

Under the EIT Law and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards. According to the Circular of the State Council on the Implementation of Transitional Preferential Policies for Enterprise Income Tax (Guofa (2007) No. 39), the tax concession of Dongguan BPT (as set out below) is still applicable under the EIT Law.

Pursuant to the relevant laws and regulations in the PRC, Dongguan BPT is entitled to an exemption from EIT for the two years starting from its first profit-making year, followed by a 50% tax relief for the next three years. The tax charge provided has taken into account these tax incentives. Dongguan BPT commenced its first profit making year for the calendar year ended 31 December 2008 and accordingly, Dongguan BPT was exempted from EIT for the calendar years ended 31 December 2008 and 2009, the applicable tax rate for the calendar years ended 31 December 2010, 2011 and 2012 was 12.5%. Since 2010, Dongguan BPT has been granted the

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status of “High and New Technology Enterprise” and completed the relevant filing requirements with the competent tax authorities in 2013. Hence, Dongguan BPT is subject to the preferential tax treatment and the applicable tax rate for the year ended 31 December 2013 was 15%.

Under the EIT Law, PRC withholding income tax is applicable to dividends payable to investors that are “non-PRC tax resident enterprises”, which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends have their sources within the PRC. Under such circumstances, dividends distributed from a PRC subsidiary to non-PRC tax resident group entity in Hong Kong in respect of profits generated after 1 January 2008 shall be subject to the withholding tax at 10%, unless the Hong Kong company can be approved to enjoy a reduced rate of 5% pursuant to the Arrangement between the Mainland of 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.

We are not subject to profit tax in the Cayman Islands and BVI as we had no assessable income arising in or derived from these respective jurisdictions during the Track Record Period.

The increase in our effective tax rate from 15.5% for the year ended 31 December 2011 to 17.6% for the year ended 31 December 2012 was primarily due to the withholding tax we incurred in relation to the declaration of dividends by our PRC subsidiary in 2012. The increase in our effective tax rate from 17.6% for the year ended 31 December 2012 to 18.8% for the year ended 31 December 2013 was primarily due to the change in the preferential tax scheme which Dongguan BPT enjoyed.

Our Directors confirm that, pursuant to the confirmation letters with respect to our PRC subsidiaries issued by the relevant PRC and local tax bureaus on 10 December 2013 and 13 December 2013, each of our PRC subsidiaries has made all the required tax filings under the relevant tax laws and regulations in the PRC, has paid all outstanding tax liabilities and is not subject to any administrative punishment or potential administrative punishment with PRC tax authorities.

PERIOD TO PERIOD COMPARISON

Year ended 31 December 2013 compared to year ended 31 December 2012

Revenue

Our revenue increased by HK\$256.1 million, or 18.3%, from HK\$1,403.3 million for the year ended 31 December 2012 to HK\$1,659.4 million for the year ended 31 December 2013. The increase was primarily due to (i) the increase in the sales of our elastic fabrics as a result of the increase in sales volume of our elastic fabrics caused by the lowering of our selling price in 2013 for certain customers who made bulk purchases; (ii) increase in sales of elastic webbing as a result of increase in sales volume caused by the improved market sentiment; and (iii) the expansion of our lace segment in 2013.

Cost of sales

Our cost of sales increased by HK\$182.8 million, or 19.2%, from HK\$954.2 million for the year ended 31 December 2012 to HK\$1,137.0 million for the year ended 31 December 2013

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primarily due to (i) the increase in our cost of raw materials as a result of the increase in our total sales volume; (ii) the increase in our manufacturing overheads; and (iii) the increase in our direct labour costs as a result of the increase in the average salary of our production workers.

Gross profit and gross profit margin

Our gross profit increased by HK\$73.4 million, or 16.3%, from HK\$449.1 million for the year ended 31 December 2012 to HK\$522.5 million for the year ended 31 December 2013 primarily due to the increase in our sales, in particular the sales of our elastic fabrics. Our gross profit margin remained stable at 32.0% and 31.5% for the years ended 31 December 2012 and 2013, respectively.

Other income

Our other income increased by HK\$1.7 million, or 7.1%, from HK\$24.6 million for the year ended 31 December 2012 to HK\$26.3 million for the year ended 31 December 2013 primarily due to the increase in one-off government grants given at the sole discretion of the PRC government and income from the sale of scrap materials.

Other gains and losses

Our other gains decreased by HK\$3.8 million, or 52.8%, from HK\$7.2 million for the year ended 31 December 2012 to HK\$3.4 million for the year ended 31 December 2013 primarily due to decrease in the change in fair value of derivative financial instruments and increase in net foreign exchange loss due to the appreciation of the RMB; partially offset by the increase in the change in fair value of investment properties due to the appreciation of property prices in the PRC.

Selling and distribution expenses

Our selling and distribution expenses increased by HK\$7.2 million, or 10.4%, from HK\$68.8 million for the year ended 31 December 2012 to HK\$76.0 million for the year ended 31 December 2013 primarily as a result of (i) the increase in our staff costs due to the increase in the average salary of our employees; and (ii) the increase in our transportation costs due to the increase in the fees we paid to third party logistics service providers for the delivery of our products as a result of the increase in our sales volume.

Administrative expenses

Our administrative expenses increased by HK\$5.2 million, or 6.2%, from HK\$84.9 million for the year ended 31 December 2012 to HK\$90.1 million for the year ended 31 December 2013 primarily as a result of our expanded scale of operation and the increase in our staff costs due to the increase in the average salary of our employees.

Other expenses

Our other expenses increased by HK\$7.7 million, or 21.1%, from HK\$36.8 million for the year ended 31 December 2012 to HK\$44.5 million for the year ended 31 December 2013 primarily as a result of the increase in our expenses in relation to the Global Offering recognised from HK\$0.5 million for the year ended 31 December 2012 to HK\$6.4 million for the year ended

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31 December 2013 and increase in our staff costs as we hired additional personnel to strengthen our research and development capabilities.

Finance costs

Our finance costs decreased by HK\$9.8 million, or 19.4%, from HK\$50.2 million for the year ended 31 December 2012 to HK\$40.4 million for the year ended 31 December 2013 as we refinance part of our bank borrowings in the PRC to Hong Kong, which has a lower interest rate.

Income tax expense

Our income tax expense increased by HK\$14.5 million, or 34.3%, from HK\$42.2 million for the year ended 31 December 2012 to HK\$56.7 million for the year ended 31 December 2013 primarily as a result of (i) the increase in our profit before tax; and (ii) the increase in our effective tax rate from 17.6% for the year ended 31 December 2012 to 18.8% for the year ended 31 December 2013 due to the change in the preferential tax treatment Dongguan BPT enjoyed.

Profit for the year

As a result of the foregoing factors, our profit for the year increased by HK\$46.4 million, or 23.5%, from HK\$198.1 million for the year ended 31 December 2012 to HK\$244.5 million for the year ended 31 December 2013. Our net profit margin increased from 14.1% for the year ended 31 December 2012 to 14.7% for the year ended 31 December 2013 primarily as a result of the decrease in our finance cost.

Year ended 31 December 2012 compared to year ended 31 December 2011

Revenue

Our revenue slightly increased from HK\$1,397.1 million for the year ended 31 December 2011 to HK\$1,403.3 million for the year ended 31 December 2012, as a result of the then market conditions in 2012.

Cost of sales

Cost of sales increased by HK\$4.7 million, or 0.5%, from HK\$949.5 million for the year ended 31 December 2011 to HK\$954.2 million for the year ended 31 December 2012 primarily as a result of (i) the increase in our manufacturing overheads due to the increase in our depreciation; (ii) the increase in our direct labour costs due to the increase in the average salary of our employees; and (iii) partially offset by the decrease in our cost of raw materials due to the decrease in the market price of nylon and spandex in 2012.

Gross profit and gross profit margin

Our gross profit and gross profit margin remained relatively stable at HK\$447.6 million and 32.0% for the year ended 31 December 2011 and HK\$449.1 million and 32.0% for the year ended 31 December 2012, respectively.

Other income

Our other income increased by HK\$7.6 million, or 44.2%, from HK\$17.0 million for the year ended 31 December 2011 to HK\$24.6 million for the year ended 31 December 2012 primarily

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as a result of (i) an increase in financial guarantee income; (ii) the increase in our compensation from our machinery suppliers for the delayed delivery of machines; (iii) an increase in sale of scrap materials; and (iv) an increase in bank interest income, partially offset by the decrease in government grants.

Other gains and losses

Our other gains and losses changed from other losses of HK\$14.0 million for the year ended 31 December 2011 to other gains of HK\$7.2 million for the year ended 31 December 2012 primarily as a result of the lower net foreign exchange losses recognised in 2012, and the reversal of bad and doubtful debts.

Selling and distribution expenses

Our selling and distribution expenses increased by HK\$6.7 million, or 10.7%, from HK\$62.1 million for the year ended 31 December 2011 to HK\$68.8 million for the year ended 31 December 2012 primarily as a result of (i) the increase in our staff costs due to the increase in the average salary of our employees; and (ii) the increase in our transportation costs due to the increase in the fees we paid to third party logistics service providers for the delivery of our products to our customers.

Administrative expenses

Our administrative expenses increased by HK\$6.0 million, or 7.6%, from HK\$78.9 million for the year ended 31 December 2011 to HK\$84.9 million for the year ended 31 December 2012 primarily as a result of the expanded scale of our operations.

Other expenses

Our other expenses increased by HK\$15.3 million, or 71.2%, from HK\$21.5 million for the year ended 31 December 2011 to HK\$36.8 million for the year ended 31 December 2012 primarily as a result of (i) the increase in our materials costs as a result of the increase in usage of materials for our research and development; and (ii) the increase in depreciation as a result of the use of additional machineries for our research and development.

Finance costs

Our finance costs increased by HK\$5.8 million, or 12.9%, from HK\$44.4 million for the year ended 31 December 2011 to HK\$50.2 million for the year ended 31 December 2012 primarily as a result of the increase in our bank borrowings from HK\$752.6 million as at 31 December 2011 to HK\$861.3 million as at 31 December 2012 to fund our capital expenditure and expansion.

Income tax expense

Our income tax expense increased by HK\$4.4 million, or 11.6%, from HK\$37.8 million for the year ended 31 December 2011 to HK\$42.2 million for the year ended 31 December 2012 primarily as a result of (i) the increase in our profit before tax; and (ii) the increase in our effective tax rate from 15.5% for the year ended 31 December 2011 to 17.6% for the year ended 31 December 2012 due to the withholding tax we incurred in relation to the declaration of dividends by our PRC subsidiary in 2012.

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Profit for the year

As a result of the foregoing factors, our profit for the year decreased by HK\$7.8 million, or 3.8%, from HK\$205.9 million for the year ended 31 December 2011 to HK\$198.1 million for the year ended 31 December 2012. Net profit margin slightly declined from 14.7% for the year ended 31 December 2011 to 14.1% for the year ended 31 December 2012 primarily as a result of the increase in our effective tax rate.

NET CURRENT (LIABILITIES)/ASSETS

The table below sets forth our current assets and current liabilities as at the dates indicated:

	As at 31 December			As at 31 March
	2011	2012	2013	2014
	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
				(unaudited)
Current assets				
Inventories	231,418	230,631	317,873	310,929
Prepaid lease payments	988	995	1,013	1,014
Trade and bills receivables	393,473	382,553	453,500	374,831
Other receivables, deposits and prepayments	48,500	25,368	15,525	18,782
Held-for-trading investments	826	1,419	—	—
Amount due from a director	1,448	413	—	—
Amounts due from related companies	13,789	92,427	—	—
Tax recoverable	436	8,297	—	—
Derivative financial instruments	—	2,174	1,511	1,486
Pledged bank deposits	172,380	187,926	96,107	109,558
Bank balances and cash	125,181	147,686	97,536	71,293
	988,439	1,079,889	983,065	887,893
Current liabilities				
Trade payables	77,874	73,162	107,393	86,270
Bills payable	127,642	169,439	202,316	199,775
Other payables and accrued charges	82,256	104,685	131,078	122,245
Amounts due to directors	103,906	58,141	—	—
Amounts due to related companies	88,697	16,571	—	—
Obligations under finance leases	120,908	127,526	37,164	32,772
Bank borrowings	732,793	845,088	345,660	313,273
Derivative financial instruments	814	—	—	—
Financial guarantee liability	24,844	37,051	11,623	10,533
Tax payable	32,454	13,555	17,660	19,744
	1,392,188	1,445,218	852,894	784,612
Net current (liabilities) assets	(403,749)	(365,329)	130,171	103,281

As at 31 December 2011 and 31 December 2012, we had net current liabilities of HK\$403.7 million and HK\$365.3 million, respectively, mainly as a result of a relatively high level of bank borrowings and obligations under the finance leases classified as current liabilities. As at 31 December 2013, we had net current assets of HK\$130.2 million as we refinanced our bank borrowings with a syndicated loan which was classified as non-current liabilities. Our net current

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assets decreased to HK\$103.3 million as at 31 March 2014 primarily as a result of the deposit paid for the acquisition of property, plant and equipment classified as non-current assets for the three months ended 31 March 2014.

Inventories

Our inventories consisted of raw materials, work in progress and finished goods. The raw materials we use mainly include nylon and spandex.

The following table sets forth a summary of our inventory balances as at the dates indicated:

	As at 31 December		
	2011	2012	2013
	HK\$ '000	HK\$ '000	HK\$ '000
Raw materials	122,293	106,263	143,446
Work in progress	63,122	73,419	87,545
Finished goods	46,003	50,949	86,882
Total	231,418	230,631	317,873

Our inventory remained stable at HK\$231.4 million and HK\$230.6 million as at 31 December 2011 and 2012, respectively. The increase in our inventory from HK\$230.6 million as at 31 December 2012 to HK\$317.9 million as at 31 December 2013 as we increased our raw material and work in progress to cope with the expected increase in demand of our products.

The following table sets forth our average inventory turnover days for the periods indicated:

	Year ended 31 December		
	2011	2012	2013
Average inventory turnover days ^(Note)	65.2	88.4	88.0

Note: average inventory turnover days for a certain period is derived by dividing the arithmetic mean of the opening and closing balances of inventory by cost of sales for the relevant period and then multiplied by 365 days.

The increase in our average inventory turnover days from 65.2 days for the year ended 31 December 2011 to 88.4 days for the year ended 31 December 2012 was primarily as a result of the low opening inventory balance in 2011 as our inventory only included our elastic fabrics segment at that time. Our inventory subsequently increased through the acquisition of the assets of Dongguan Runda in 2011. For further details, please refer to the section headed “History, Reorganisation and Corporate Structure — Our business development” in this prospectus. Subsequent to the acquisition of the assets of Dongguan Runda, our inventory also consisted of inventory for the elastic webbing segment in addition to the elastic fabrics segment and, as a result, our ending inventory balance of 2011 increased. Our average inventory turnover days remained stable at 88.0 days for the year ended 31 December 2013.

We carry out an inventory review and an ageing analysis on a regular basis. We make provision for obsolete and slow-moving inventories of raw materials and finished goods that are no longer suitable for use in production or sale, respectively. A number of factors including historical and forecast consumption of our raw materials, marketability of our products, are taken into account when we consider whether to make appropriate provision. We normally make full provision for inventories, which are aged over two years and at the same time, have also been identified with slower or no usage or sale and deteriorated marketability.

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We made provisions for our inventories of HK\$6.4 million, HK\$7.4 million and HK\$6.3 million for the years ended 31 December 2011, 2012 and 2013, respectively.

As at the Latest Practicable Date, approximately HK\$263.7 million, or approximately 83.0%, of our inventories as at 31 December 2013 had been utilised or sold.

Trade and bills receivables

Our trade and bills receivables mainly represented receivables from sales to our customers.

The following table sets forth balances of our trade and bills receivables as at the dates indicated:

	As at 31 December		
	2011	2012	2013
	HK\$ '000	HK\$ '000	HK\$ '000
Trade receivables	386,779	381,637	451,117
Bills receivables	10,130	2,692	4,159
Less: Allowance for bad and doubtful debts	(3,436)	(1,776)	(1,776)
Total	393,473	382,553	453,500

Our trade and bills receivables decreased from HK\$393.5 million as at 31 December 2011 to HK\$382.6 million as at 31 December 2012 primarily as a result of the decrease in the bills we received from our customers from HK\$10.1 million as at 31 December 2011 to HK\$2.7 million as at 31 December 2012. The increase in our trade and bills receivables from HK\$382.6 million as at 31 December 2012 to HK\$453.5 million as at 31 December 2013 was primarily due to the increase in our sales.

The following table sets forth the aging analysis of our trade and bills receivables as at the dates indicated:

	As at 31 December		
	2011	2012	2013
	HK\$ '000	HK\$ '000	HK\$ '000
Aging analysis of trade and bills receivables			
Within three months	356,082	365,366	412,468
Three to six months	36,194	14,992	35,749
Over six months	1,197	2,195	5,283
Total	393,473	382,553	453,500

The following table sets forth our average trade and bills receivables turnover days for the periods indicated:

	Year ended 31 December		
	2011	2012	2013
Average trade and bills receivables turnover days ^(Note)	87.2	100.9	91.9

Note: average trade and bills receivables turnover days for a certain period is derived by dividing the arithmetic mean of the opening and closing balances of trade and bills receivables by revenue for the relevant period and then multiplied by 365 days.

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Our average trade and bills receivables turnover days increased from 87.2 days for the year ended 31 December 2011 to 100.9 days for the year ended 31 December 2012 primarily as a result of the low opening trade and bills receivables balance in 2011 as we only record sales of elastic fabrics in 2010 and we began to record sales of elastic webbing after we acquired the assets of Dongguan Runda in 2011. For further details, please refer to the section headed “History, Reorganisation and Corporate Structure — Our business development” in this prospectus. Our average trade and bills receivables turnover days decreased from 100.9 days for the year ended 31 December 2012 to 91.9 days for the year ended 31 December 2013 due to our efforts to collect receivables more quickly from our customers. Our average trade receivables turnover days was within our credit policy.

Before accepting any new customers, we assess the potential customer’s credit quality by evaluating their historical credit records and define credit limits for each customer. We regularly review the recoverability and credit limit of our existing customers. We typically grant credit periods of 30 to 90 days from the date of issuance of a monthly statement for sales delivered in that month and we generally require our new customers to settle the purchase price before we commence production. We grant credit periods to our customers on a case-by-case basis primarily based on customer type and the customers’ payment record with us if it is a recurring customer and may extend the credit period to certain customers.

We made allowances for bad and doubtful debts of HK\$3.1 million and HK\$0.8 million for the years ended 31 December 2011 and 2013, respectively, and reversal for bad and doubtful debts of HK\$1.1 million for the year ended 31 December 2012.

As at the Latest Practicable Date, approximately HK\$432.9 million, or approximately 95.5%, of our trade and bills receivables as at 31 December 2013 had been settled.

Other receivables, deposits and prepayments

Our other receivables, deposits and prepayments primarily consisted of other receivables, which primarily represents receivables from staff, and prepayments to our suppliers.

The following table sets for the balances of our other receivables, deposits and prepayments as at the dates indicated:

	As at 31 December		
	2011	2012	2013
	(HK\$'000)	(HK\$'000)	(HK\$'000)
Other receivables	7,841	8,220	6,307
Prepayments	3,902	4,552	5,589
Other tax recoverable	31,505	6,166	2,091
Deposit paid	5,252	6,430	1,538
Total	48,500	25,368	15,525

Our other receivables, deposits and prepayments decreased by HK\$23.1 million from HK\$48.5 million as at 31 December 2011 to HK\$25.4 million as at 31 December 2012 primarily as a result of the decrease in our other tax recoverable, from HK\$31.5 million as at 31 December 2011 to HK\$6.2 million as at 31 December 2012, which was a result of the purchase of additional machineries by us in 2011 to increase our production capacity which resulted in a higher other tax

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recoverable balance before the year end. The decrease in our other receivables, deposits and prepayments from HK\$25.4 million as at 31 December 2012 to HK\$15.5 million as at 31 December 2013 was primarily a result of the decrease in other tax recoverable in relation to the decrease in the purchase of machineries during the year ended 31 December 2013 and decrease in the deposits paid.

Held-for-trading investment

Held-for-trading investments represents our investments in unlisted investment funds in the PRC.

Trade and bills payables

The following table sets forth the balances of our trade and bills payables as at the dates indicated:

	As at 31 December		
	2011	2012	2013
	HK\$ '000	HK\$ '000	HK\$ '000
Trade payables	77,874	73,162	107,393
Bills payable	127,642	169,439	202,316
Total	205,516	242,601	309,709

Our trade and bills payables increased by HK\$37.1 million from HK\$205.5 million as at 31 December 2011 to HK\$242.6 million as at 31 December 2012 and further to HK\$309.7 million as at 31 December 2013. The increase was primarily due to the increase in our bills payables from HK\$127.6 million as at 31 December 2011 to HK\$169.4 million as at 31 December 2012 and further to HK\$202.3 million as at 31 December 2013 to settle purchases to cater for the increase in our production.

The following table sets forth the aging analysis of our trade payables and bills payable as at the dates indicated:

	As at 31 December		
	2011	2012	2013
	HK\$ '000	HK\$ '000	HK\$ '000
Aging analysis of trade payables			
Within three months	76,977	73,162	98,082
Over three months	897	—	9,311
Total	77,874	73,162	107,393
Aging analysis of bills payable			
Within three months	125,106	156,211	151,691
Over three months	2,536	13,228	50,625
Total	127,642	169,439	202,316

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The following table sets forth our average trade and bills payables turnover days for the periods indicated:

	Year ended 31 December		
	2011	2012	2013
Average trade and bills payable turnover days ^(Note)	60.9	85.7	88.7

Note: average trade and bills payables turnover days for a certain period is derived by dividing the arithmetic mean of the opening and closing balances of trade and bills payables by cost of sales for the relevant period and then multiplied by 365 days.

Our average trade and bills payables turnover days increased from 60.9 days as at 31 December 2011 to 85.7 days as at 31 December 2012 to 88.7 days as at 31 December 2013. The increase was primarily due to the increase in the use of bills by us which generally has a longer settlement period.

As at the Latest Practicable Date, approximately HK\$284.2 million, or approximately 91.8%, of our trade and bills payable as at 31 December 2013 had been settled.

Other payables and accrued charges

Our other payables and accrued charges principally comprised of accrued staff costs, payables to contractors and payable to machineries and consumable suppliers.

The following table sets forth the balances of our other payables and accrued charges as at the dates indicated:

	As at 31 December		
	2011 (HK\$'000)	2012 (HK\$'000)	2013 (HK\$'000)
Accrued staff costs	28,695	31,345	43,823
Payables on acquisition of property, plant and equipment	29,649	38,105	40,573
Other payables	7,012	12,841	22,145
Other accruals	11,121	10,067	13,704
Provision for non-compliant temporary structure	4,701	6,463	6,578
Receipts in advance	1,078	5,864	4,255
Total	82,256	104,685	131,078

Our other payables and accrued charges increased from HK\$82.3 million as at 31 December 2011 to HK\$104.7 million as at 31 December 2012 primarily as a result of the increase in our accrued staff costs due to the increase in average salary of our staff and payables on acquisition of property, plant and equipment in relation to the construction of our production facilities in connection with the expansion of our operations. The increase in our other payables and accrued charges from HK\$104.7 million as at 31 December 2012 to HK\$131.1 million as at 31 December 2013 was primarily as a result of the increase in our accrued staff costs due to the increase in average salary of our staff and increase in our other payables, which mainly represents VAT payables, in relations to our sales before the year end.

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Amounts due from/to a director

The amounts due from a Director of HK\$1.4 million, HK\$0.4 million and nil as at 31 December 2011, 2012 and 2013, respectively, represented temporary fund advances to Mr. Wu, our executive Director. The amounts due from a Director had been fully settled.

The amount due to Directors of HK\$103.9 million, HK\$58.1 million and nil as at 31 December 2011, 2012 and 2013, respectively, represented the advances from Mr. Lu and Mr. Zhang, our executive Directors. The amounts due to Directors had been fully settled.

The amount due from/to a Director was non-trading in nature, unsecured, non-interest bearing and repayable on demand.

Amounts due from/to related companies

As at 31 December 2011, 2012 and 2013, amounts due from related companies was HK\$13.8 million, HK\$92.4 million and nil, respectively. Amounts due from related companies are unsecured and mainly represented temporary advances to entities controlled by Mr. Wu and Mr. Lu. The non-trading balances of the amounts due from related companies were settled subsequent to 31 December 2012.

As at 31 December 2011, 2012 and 2013, amounts due to related companies was HK\$88.7 million, HK\$16.6 million and nil, respectively. Amounts due to related companies mainly represented sales to and purchases from related parties and rental income from and rental expenses to related parties. Amounts due to related parties are unsecured and non-interest bearing. For non-trading balances, they are payable on demand. For trade balances, the credit period granted to us is 90 days. All of these amounts due to related parties has been fully settled. For further details, please refer to Note 28 to the Accountants' Report in Appendix I of this prospectus.

LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash are to satisfy our working capital needs and our capital expenditure needs. We have historically financed our working capital and capital expenditure needs primarily through bank borrowings and cash flows from operating activities.

Cash flow

The following table sets forth a condensed summary of our combined cash flow statements for the periods indicated:

	Year ended 31 December		
	2011	2012	2013
	(HK\$'000)	(HK\$'000)	(HK\$'000)
Net cash from operating activities	144,188	368,747	345,154
Net cash used in investing activities	(79,889)	(224,736)	(21,626)
Net cash used in financing activities	(25,316)	(122,116)	(376,319)
Net increase (decrease) in cash and cash equivalents	38,983	21,895	(52,791)
Cash and cash equivalents at beginning of the year	83,686	125,181	147,686
Effect of foreign exchange rate changes	2,512	610	2,641
Cash and cash equivalents at end of year	<u>125,181</u>	<u>147,686</u>	<u>97,536</u>

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Net cash from operating activities

Our cash generated from operating activities was mainly derived from the receipt of sales and our cash used in operating activities was mainly for the purchases of raw materials, salary payment and other expenses incurred in our daily operations.

For the year ended 31 December 2013, we had net cash inflows from operating activities before changes in working capital of HK\$440.6 million and a net cash inflow of HK\$345.2 million. The difference of HK\$95.4 million was primarily attributable to (i) increase in inventories of HK\$90.6 million to cope with the expected increase in demand of our products; (ii) increase in trade and bills receivables of HK\$69.6 million as a result of the increase in our revenue; and (iii) payment of income tax of HK\$42.2 million; and partially offset by (i) increase in trade and bills payables of HK\$64.5 million as a result of our expanded operation; and (ii) increase in other payables and accrued charges of HK\$25.3 million mainly as a result of the increase in accrued staff costs and other payables.

For the year ended 31 December 2012, we had net cash inflows from operating activities before changes in working capital of HK\$364.5 million and a net cash inflow of HK\$368.7 million. The difference of HK\$4.2 million was primarily attributable to (i) increase in trade and bills payable of HK\$35.4 million due to the increase in bills payable we issued to settle purchases remained unsettled as at year end; (ii) decrease in other receivables, deposits and prepayments of HK\$23.3 million primarily due to decrease in other tax recoverable of HK\$25.3 million which we purchased additional machineries in 2011 which resulted in a higher VAT recoverable balance before end of 2011; (iii) decrease in trade and bills receivables of HK\$13.4 million due to decrease in bills we received from customers; and partially offset by (i) the payment of income tax and PRC withholding tax of HK\$69.3 million; and (ii) decrease in amounts due to related companies of HK\$8.4 million.

For the year ended 31 December 2011, we had net cash inflows from operating activities before changes in working capital of HK\$365.3 million and a net cash inflow of HK\$144.2 million. The difference of HK\$221.1 million was primarily attributable to (i) increase in inventories of HK\$122.5 million as we purchased the inventories from Dongguan Runda in 2010 and resulted a higher inventory balance as at 31 December 2011; (ii) increase in trade and bills receivables of HK\$111.1 million as a result of the increase in our revenue after we carried out the production and sales of elastic webbing in 2011; (iii) decrease in amounts due to related companies of HK\$30.9 million; (iv) increase in other receivables, deposits and prepayments of HK\$20.8 million; and (v) payment of income tax of HK\$19.2 million; partially offset by increase in trade and bills payables of HK\$87.3 million.

Net cash used in investing activities

Our cash from investing activities was mainly derived from withdrawal of pledged bank deposits and repayment from related parties and our cash used in investing activities was mainly used for placement of pledged bank deposits, purchases of property, plant and equipment and advances to related companies.

For the year ended 31 December 2013, our net cash used in investing activities was HK\$21.6 million. This was primarily due to (i) purchases of property, plant and equipment of HK\$217.2 million for our continuous expansion; (ii) placement of pledged bank deposits of HK\$182.4 million; and (iii) advance to related companies of HK\$209.6 million; partially offset by

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(i) the withdrawal of pledged bank deposits of HK\$276.3 million; and (ii) repayment from related companies of HK\$301.3 million.

For the year ended 31 December 2012, our net cash used in investing activities was HK\$224.7 million. This was primarily due to (i) placement of pledged bank deposits of HK\$358.1 million; (ii) advance to related companies of HK\$263.8 million; (iii) purchases of property, plant and equipment of HK\$141.6 million for our continuous expansion; partially offset by (i) withdrawal of pledged bank deposits of HK\$342.6 million; and (ii) repayment from related companies of HK\$186.6 million.

For the year ended 31 December 2011, our net cash used in investing activities was HK\$79.9 million. This was primarily due to (i) placement of pledged bank deposits of HK\$496.5 million; (ii) advance to related companies of HK\$409.6 million; (iii) purchases of property, plant and equipment of HK\$138.6 million for our continuous expansion; (iv) addition of investment properties of HK\$59.7 million; partially offset by (i) withdrawal of pledged bank deposits of HK\$548.3 million; and (ii) repayment from related companies of HK\$466.7 million.

Net cash used in financing activities

Our cash from financing activities was mainly derived from new bank borrowings, advance from related companies and new bills financing raised and our cash used in financing activities mainly comprised of repayment of bank borrowings, repayment to related companies, payment of interest and dividends, repayment of obligations under finance lease, repayment to related companies and repayment of bills financing.

For the year ended 31 December 2013, our net cash used in financing activities was HK\$376.3 million. This was primarily due to (i) repayment of bank borrowings (other than bills financing) of HK\$2,155.6 million; (ii) repayment of obligations under finance lease of HK\$121.7 million in relation to our purchase of machineries; (iii) repayment to related companies of HK\$36.7 million; (iv) interest and dividend payments of HK\$46.8 million and HK\$60.0 million, respectively; (v) repayment to directors of HK\$57.2 million; and (vi) repayment of bills financing of HK\$56.0 million; partially offset by new bank borrowings and syndicated loans raised (other than bills financing) of HK\$1,714.2 million and HK\$435.0 million, respectively to support our capital expenditure and working capital; and (ii) advance from related companies of HK\$19.6 million.

For the year ended 31 December 2012, our net cash used in financing activities was HK\$122.1 million. This was primarily due to (i) repayment of bank borrowings (other than bills financing) of HK\$1,126.7 million; (ii) repayment of bills financing of HK\$276.1 million; (iii) repayment to related companies of HK\$227.3 million; (iv) repayment of obligations under finance lease of HK\$61.9 million in relation to our purchase of machineries; (v) interest payments of HK\$55.3 million; and (vi) repayment to directors of HK\$45.8 million; partially offset by (i) new bank borrowings raised (other than bills financing) of HK\$1,309.0 million to support our capital expenditure and working capital; (ii) new bills financing raised of HK\$198.5 million; and (iii) advance from related companies of HK\$163.5 million.

For the year ended 31 December 2011, our net cash used in financing activities was HK\$25.3 million. This was primarily due to (i) repayment of bank borrowings (other than bills financing) of HK\$756.9 million; (ii) repayment of bills financing of HK\$663.4 million; (iii) repayment to related companies of HK\$223.0 million; (iv) repayment of obligations under

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finance lease of HK\$42.7 million in relation to our purchase of machineries; (v) interest payments of HK\$47.6 million; and (vi) repayment to directors of HK\$12.6 million; partially offset by (i) new bank borrowings raised (other than bills financing) of HK\$1,000.9 million to support our capital expenditure and working capital; (ii) new bills financing raised of HK\$497.8 million; and (iii) advance from related companies of HK\$222.2 million.

CAPITAL EXPENDITURES AND CAPITAL COMMITMENT

Our capital expenditures mainly comprise constructions in progress in relation to our production facilities and purchases of machineries. The following table sets forth a breakdown of our capital expenditures for the periods indicated:

	Year ended 31 December		
	2011	2012	2013
	(HK\$'000)	(HK\$'000)	(HK\$'000)
Machinery	256,908	111,638	137,075
Construction in progress	69,223	90,516	84,748
Motor vehicles	6,598	4,525	10,781
Computer and office equipment	4,959	3,749	2,219
Total	337,688	210,428	234,823

The capital expenditures we incurred for the years ended 31 December 2011, 2012 and 2013 were primarily related to the purchase of machineries to expand our production capacity and the construction of our eighth production facility.

We estimate that the capital expenditures for the year ending 31 December 2014 will be approximately HK\$126.4 million. Our planned future capital expenditures mainly include the construction of a new production facility and the purchase of additional machineries. We expect to fund these expansion plans with bank financing, cash flow from our operations and the net proceeds from the Global Offering. For further details on our expansion plan, please refer to the section headed “Business — Expansion Plans” in this prospectus.

The actual amounts of expenditures incurred may vary from the estimate for a variety of reasons, including changes in market conditions and other factors. Our ability to obtain additional funding required for increased capital expenditures in the future is subject to a variety of uncertainties including the future results of our operations, financial condition and cash flows, and economic and political and other conditions in the PRC.

Capital commitment

The following table sets forth our capital commitments in respect of acquisition of property, plant and equipment contracted but not provided for as at the dates indicated:

	As at 31 December		
	2011	2012	2013
	HK\$ '000	HK\$ '000	HK\$ '000
Contracted but not provided for	54,750	60,975	67,838

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Our capital commitments of HK\$54.8 million, HK\$61.0 million and HK\$67.8 million as at 31 December 2011, 2012 and 2013, respectively, were primarily related to the addition of machineries for our expansion. As at 31 March 2014, our capital commitments in respect of acquisition of property, plant and equipment contracted but not provided for amounted to approximately HK\$50.4 million.

INDEBTEDNESS

As at 31 March 2014, we had total borrowings of HK\$761.1 million, comprising of secured bank borrowings of HK\$178.3 million, unsecured and guaranteed bank borrowings of HK\$80.8 million, unsecured syndicated loans with carrying amount of HK\$425.9 million (principal amount of HK\$435.0 million), collateralised bank borrowings from factoring of trade receivables with full recourse of HK\$15.9 million and secured obligation under finance leases of HK\$60.2 million. As at 31 March 2014, we had banking facilities of approximately HK\$1,701.2 million, of which approximately HK\$931.0 million was unutilised.

Bank borrowings in aggregate of HK\$178.3 million were guaranteed by Mr. Lu and Mr. Zhang and secured by assets of the Group, including property, plant and equipment with carrying amount of HK\$139.7 million, pledged bank deposits with carrying amount of HK\$109.6 million, investment properties with carrying amount of HK\$72.5 million, prepaid lease payments with carrying amount of HK\$30.9 million and available-for-sale investments with carrying amount of HK\$2.9 million. The unsecured bank borrowings of HK\$80.8 million are guaranteed by group companies, Mr. Lu and Mr. Zhang. The collateralised bank borrowings from factoring of trade receivables with full recourse of HK\$15.9 million are secured by the trade receivable of HK\$91.4 million. The unsecured syndicated loans with carrying amount of HK\$425.9 million (principal amount of HK\$435.0 million) are guaranteed by group companies, Mr. Lu and Mr. Zhang. We also had outstanding obligations under finance leases of HK\$60.2 million which are secured by property, plant and equipment of HK\$132.7 million.

Information on contingent liabilities, cross guarantees and corporate guarantees provided by our Group to banks in relation to banking facilities obtained by related companies is disclosed in note 44 of the Accountants' Report in Appendix I to this prospectus.

Save as disclosed herein, we did not have any outstanding debt securities issued and outstanding or authorised or otherwise created but unissued, term loans, other borrowings or indebtedness in the nature of borrowing including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase commitments, mortgages and charges, material contingent liabilities or guarantees outstanding as at 31 March 2014. Our Directors confirm that there is no material change in our indebtedness position since 31 March 2014 up to the date of this prospectus. We intend to continue to finance portions of our capital expenditure with bank borrowings, as we deem appropriate. Except for such bank borrowings, we currently do not have plans for other material external debt financing. As at the Latest Practicable Date, there are no material restrictive covenants relating to any of our outstanding debts. Our Director confirm that we had no material defaults in payment of trade and non-trade payables and bank borrowings, and/or breaches of finance covenants during the Track Record Period.

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Bank borrowings

We obtain loans and borrowings from banks to finance our capital expenditure and expansion. Our outstanding balance of bank borrowings as at 31 December 2011, 2012 and 2013 was HK\$752.6 million, HK\$861.3 million and HK\$797.2 million, respectively. The following table sets forth our outstanding bank borrowings as at the dates indicated:

	As at 31 December			As at 31 March
	2011	2012	2013	2014
	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
				(unaudited)
Unsecured Syndicated loans	—	—	424,857	425,872
Secured bank borrowings	436,751	606,832	194,377	178,307
Unsecured bank borrowings	147,255	170,314	143,529	80,801
Collateralised bank borrowings for factoring of receivables with full recourse	35,947	28,175	34,459	15,859
Bills financing borrowings	132,654	55,970	—	—
	<u>752,607</u>	<u>861,291</u>	<u>797,222</u>	<u>700,839</u>
Carrying amount payable:				
Within one year	724,225	804,334	325,008	290,395
More than one year, but not exceeding two years	7,170	36,461	149,101	85,466
More than two years, but not more than five years	18,474	20,496	323,113	324,978
More than five years	2,738	—	—	—
	<u>752,607</u>	<u>861,291</u>	<u>797,222</u>	<u>700,839</u>
Less: Amounts due within one year or contain a repayment on demand clause shown under current liabilities	(732,793)	(845,088)	(345,660)	(313,273)
Amounts shown under non- current liabilities	<u>19,814</u>	<u>16,203</u>	<u>451,562</u>	<u>387,566</u>

Our bank borrowings increased from HK\$752.6 million as at 31 December 2011 to HK\$861.3 million as at 31 December 2012, and HK\$797.2 million as at 31 December 2013 due to our increased capital needs for the expansion of our production capacity. During the Track Record Period, we have not experienced any delay or default in repayment of bank borrowings nor experienced any difficulties in obtaining banking facilities with terms that we consider are commercially acceptable.

The amounts due are based on scheduled repayment dates set out in the relevant loan agreements. The above bank loans have interest rates ranging from 2.34% to 9.51% per annum for the year ended 31 December 2011, 2.55% to 7.87% per annum for the year ended 31 December 2012 and 3.09% to 8.80% per annum for the year ended 31 December 2013.

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Certain of our bills payable issued and bank borrowings were secured by our assets, during the Track Record Period. The following table sets forth the carrying value of the pledged assets as at the dates indicated:

	As at 31 December			As at 31 March
	2011	2012	2013	2014
	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
				(unaudited)
Property, plant and equipment	84,556	246,081	187,959	139,684
Trade receivables	45,679	110,860	169,283	91,363
Pledged bank deposits	172,380	187,926	96,107	109,558
Investment properties	63,704	65,920	72,152	72,519
Prepaid lease payments	14,740	45,655	31,038	30,911
Available-for-sale financial assets	2,653	3,024	2,979	2,860
Inventories	58,183	47,687	—	—
Total	441,895	707,153	559,518	446,895

Finance lease

We leased certain machineries and motor vehicles under finance leases. The lease terms ranged from three to four years. The underlying interest rates for all obligations under the finance leases are fixed at respective contract dates ranging from 3.50% to 6.75%, 3.50% to 6.75% and 3.50% to 4.75% per annum as at 31 December 2011, 2012 and 2013, respectively. These finance leases were on a fixed repayment basis and no arrangements was entered into for contingent rent payments. Our obligations under the finance leases were secured by the lessors' charge over the leased assets. The following table sets forth our obligations under the finance leases as at the dates indicated:

	As at 31 December			As at 31 March
	2011	2012	2013	2014
	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
				(unaudited)
Within one year	60,845	70,097	34,177	32,050
In the second to fifth year inclusive	116,728	92,574	28,197	31,250
	177,573	162,671	62,374	63,300
Less: future finance charges	(12,299)	(9,841)	(2,611)	(3,066)
Total	165,274	152,830	59,763	60,234

Statement of indebtedness

As at 31 March 2014, being the latest practicable date for the preparation of the indebtedness statement in this prospectus, except as disclosed in the paragraph headed “— Indebtedness” in this section, we did not have outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities outstanding.

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Our Directors confirmed that there has not been any material change in our indebtedness since 31 March 2014, being the latest practicable date for determining our indebtedness.

Contingent liabilities

Our contingent liabilities represent guarantees provided by our Group to banks in relation to bank loans obtained by related parties. For further details, please refer to note 44 of the Accountants' Report in Appendix I to this prospectus for details of our contingent liabilities. Our Directors confirm that all guarantees will be released upon the Listing.

FINANCIAL RATIOS

The following table sets forth a summary of our key financial ratios for the periods indicated:

Financial Ratios	Formulae	As at/year ended 31 December		
		2011	2012	2013
Profitability ratios:				
1. Growth				
Revenue growth		—	0.4%	18.3%
Net profit growth		—	-3.8%	23.5%
2. Profit margins				
Gross profit margin	a. Gross profit/Revenue x 100%	32.0%	32.0%	31.5%
Net profit margin before interest and tax	b. Net profit before interest (before capitalisation) and tax/Revenue x 100%	20.8%	21.1%	21.0%
Net profit margin	c. Net profit after tax/Revenue x 100%	14.7%	14.1%	14.7%
3. Return on equity				
Return on equity	a. Net profit/Average total equity x 100%	66.1%	38.6%	34.0%
Return on total assets	b. Net profit/Total assets x 100%	10.9%	9.4%	11.3%
Liquidity ratios:				
1. Liquidity ratios				
Current ratio	a. Current assets/Current liabilities	0.7	0.7	1.2
Quick ratio	b. (Current assets – Inventories)/Current liabilities	0.5	0.6	0.8
2. Turnover ratios				
Inventories turnover days	a. Average inventories/Cost of sales x 365 days	65.2	88.4	88.0
Trade and bills receivables turnover days	b. Average trade and bills receivables/Revenue x 365 days	87.2	100.9	91.9
Trade and bills payables turnover days	c. Average trade and bills payables / Cost of sales x 365 days	60.9	85.7	88.7

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Financial Ratios	Formulae	As at/year ended 31 December		
		2011	2012	2013
Capital adequacy ratios:				
1. Gearing ratio	Total bank borrowing (including bills financing borrowings)/Total equity x 100%	179.8%	141.7%	95.8%
2. Debt to net worth ratio				
Net debt to equity ratio	a. Net debt (Total bank borrowings (including bills financing borrowings) – bank balances and cash)/Total equity x 100%	149.9%	117.4%	84.1%
Interest coverage	b. Profit before interest (before capitalisation) and tax/interest	6.1	5.3	7.4

Return on equity

Our return on equity decreased from 66.1% for the year ended 31 December 2011 to 38.6% for the year ended 31 December 2012 and 34.0% for the year ended 31 December 2013. The decrease was primarily due to the increase in our equity resulted from our profit generated during the year.

Return on total assets

Our return on total assets decreased from 10.9% for the year ended 31 December 2011 to 9.4% for the year ended 31 December 2012 primarily due to the increase in total assets as a result of the expanded scale of our operations. Our total assets increased by 11.7% during the year ended 31 December 2012 due to our expanded scale of production and the addition of plants and machineries. Our return on total assets increased from 9.4% for the year ended 31 December 2012 to 11.3% for the year ended 31 December 2013 as a result of the increase in our profit by 23.5%.

Current ratio and quick ratio

Our current ratios were 0.7, 0.7 and 1.2 as at 31 December 2011, 2012 and 2013, respectively. Our current ratio remained relatively stable as at 31 December 2011 and 2012. The increase in current ratio to 1.2 as at 31 December 2013 was mainly due to the decrease in current liabilities as we refinanced certain short term bank borrowings to long term bank borrowings. Our quick ratios were 0.5, 0.6 and 0.8 as at 31 December 2011, 2012 and 2013, respectively. Our quick ratio remained relatively stable as at 31 December 2011 and 2012. The increase in quick ratio to 0.8 as at 31 December 2013 was also due to the re-financing of certain short term bank borrowings to long term bank borrowings.

Gearing ratio and net debt to equity ratio

Our gearing ratios were 179.8%, 141.7% and 95.8% as at 31 December 2011, 2012 and 2013, respectively. Our net debt to equity ratio were 149.9%, 117.4% and 84.1% as at 31 December 2011, 2012 and 2013, respectively. The decline in gearing ratio and net debt to equity ratio as at 31 December 2012 was primarily due to the increase in our total equity which was a result of the increase in our profit generated during the year and decrease in our bank borrowings.

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RELATED PARTY TRANSACTIONS

Please see Note 47 to the Accountants' Report in Appendix I to this prospectus for details of our related party transactions during the Track Record Period.

With respect to the related party transactions set out in the Accountants' Report in Appendix I to this prospectus, our Directors confirm that these transactions were conducted on normal commercial terms and/or terms that are no less favourable than terms available from Independent Third Parties which are considered fair and reasonable and in the interest of our Shareholders as a whole.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As at the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

WORKING CAPITAL

As at 31 March 2014, our unutilised banking facilities amounted to HK\$931.0 million. Taking into account our cash generated from operating activities, the net proceeds of the Global Offering and our credit facilities maintained with our banks, our Directors are of the opinion that we will have sufficient working capital for our operations at least for the 12 months following the date of this prospectus. The Sole Sponsor concurs with our Directors' view.

LISTING EXPENSES

The estimated total listing expenses incurred in relation to this Global Offering are estimated to be approximately HK\$49.2 million, of which HK\$23.1 million is expected to be capitalised upon the Listing. Up to 31 December 2013, we paid HK\$8.2 million of listing expenses of which HK\$6.9 million was recognised in the combined statements of profit or loss and other comprehensive income. We estimate that additional listing expenses of HK\$41.0 million will be incurred after 31 December 2013 and HK\$19.2 million will be further charged to the combined statements of profit or loss and other comprehensive income after 31 December 2013. These listing expenses are mainly comprised of underwriting commission, professional fees paid to legal advisers, reporting accountant and the sponsor fee for the Sole Sponsor (for the amount of HK\$3.0 million) for their services rendered in relation to the Listing and the Global Offering.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

We are exposed to various market risks, including credit risk, foreign currency risk, interest rate risk and liquidity risk in the normal course of business. We mainly manage our exposure to these market risks through our regular operating activities.

Credit risk

As at 31 December 2011, 2012 and 2013, our maximum exposure to credit risk that will cause a financial loss to us due to failure to discharge obligations by the counterparties as at the end of reporting period arising from the carrying amount of the respective recognised financial assets as stated in the combined statements of financial position and the amount of contingent liabilities relating to financial guarantees disclose in note 44 of the Accountants' Report in Appendix I of this prospectus.

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In order to minimise the credit risk, our management has delegated a team responsible for the determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. We review the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses or allowances are made for irrecoverable amounts.

We have concentration of credit risk in respect of amounts due from related companies. In order to minimise the credit risk on amounts due from related companies, our management continuously monitors the credit quality and financial conditions of the related companies and the level of exposure to ensure that follow-up action is taken to recover overdue debts. Our related companies mainly represented entities controlled by Mr. Lu or family members of Mr. Lu. Under such circumstances, our management considers that our credit risk is insignificant.

For the financial guarantees, those guarantees are provided to our related companies and our management continuously monitors the credit quality and financial conditions of the guaranteed parties that we issued financial guarantee contracts in favour of to ensure that we will not suffer significant credit losses as a result of the failure of the guaranteed parties on the repayment of the relevant loans. In this regard, our management considers that our credit risk is significantly reduced.

The credit risk for pledged bank deposits and bank balances is considered as not material as such amounts are placed in banks with high credit ratings assigned by international credit-rating agencies or state-owned.

Other than concentration of credit risk on liquid funds which are deposited with several reputable banks, we had concentration of credit risk on trade receivables as 12%, 13% and 14% of the total trade receivables were due from our largest customer and 36%, 31% and 28% of the total trade receivables were due from our largest five customers as at 31 December 2011, 2012 and 2013, respectively.

Our Directors consider that the credit risk for deposits and bank balances is minimal as such amounts are placed in banks with high credit ratings assigned by international credit-rating agencies or state-owned.

Foreign currency risk

Certain trade receivables, trade payables, bank balances and cash and bank borrowings are denominated in foreign currencies other than our functional currency, which expose us to foreign currency risk. We do not have a foreign currency hedging policy. However, our management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

In the event of currency fluctuations, we may have to increase our product pricing to compensate for the increase in our costs. This would decrease our market competitiveness, on a price basis, for our products and could result in a decrease in our revenue. In the future, our management will monitor foreign exchange exposure and will consider hedging or factoring significant foreign currency exposure into the pricing of our products should the need arise.

Interest rate risk

Our Group is mainly exposed to cash flow interest rate risk in relation to variable-rate bank borrowings and bank balances, and fair value interest rate risk in relation to fixed-rate pledged

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bank deposits and obligations under finance leases and non-interest bearing amounts due from/to directors and related parties.

Our Group currently does not have interest rate hedging policy. However, our management closely monitors our exposure to future cash flow risk as a result of changes in market interest rates and will consider hedging changes in market interest rates should the need arise.

Liquidity risk

In the management of liquidity risk, we monitor and maintain a level of cash and cash equivalents deemed adequate by our management to finance operations and mitigate the effects of fluctuations in cash flows. We rely on bank borrowings as a significant source of liquidity. Our management monitors the utilisation of borrowings and ensures compliance with loan covenants.

As at 31 December 2011, 2012 and 2013, we had bank borrowings of HK\$752.6 million, HK\$861.3 million and HK\$797.2 million, respectively. As at 31 December 2011, 2012 and 2013, we had amounts due to related companies of HK\$88.7 million, HK\$16.6 million and nil, respectively.

DIVIDEND POLICY AND DISTRIBUTABLE RESERVES

Our Board of Directors is responsible for submitting proposals in respect of dividend payments, if any, to the Shareholders' general meeting for approval. Our dividend distribution is based on our profit available for appropriation. During the year ended 31 December 2013, we declared and paid dividends of HK\$60.0 million. We cannot guarantee when, if and in what form dividends will be paid in the future.

Our Directors may recommend a payment of dividends in the future after taking into account our operations, earnings, financial condition, cash requirements and availability, capital expenditure and future development requirements and other factors as it may deem relevant at such time. Subject to the above policy, we intend to recommend annually in subsequent years for the foreseeable future a dividend distribution of not less than 20% of our distributable profit for the year. Such intention does not amount to any guarantee or representation or indication that we must or will declare and pay dividends in such manner or declare and pay any dividends at all.

Distributable Reserves

As at 31 December 2013, our Company had no distributable reserves which were available for distribution to our equity holders.

PROPERTY INTERESTS AND PROPERTY VALUATION

Particulars of our Group's property interests are set out in Appendix III to this prospectus. Avista Valuation Advisory Limited has valued the property interests of our Group as at 31 March 2014. A summary of values and valuation certificates issued by Avista Valuation Advisory Limited are included in Appendix III to this prospectus.

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The following table sets forth the reconciliation of the net book value of relevant property interests including prepaid land lease payments, buildings and investment properties from our audited combined financial statements as at 31 December 2013 to the unaudited net book value of our Group's property interests as at 31 March 2014:

	HK\$'000
Net book value of property interests of our Group as at 31 December 2013:	
— Prepaid lease payments	45,452
— Buildings	272,068
— Investment properties	72,152
	<u>389,672</u>
Movements for the period from 1 January 2014 to 31 March 2014:	
Amortisation of prepaid lease payments	(254)
Depreciation	(3,698)
	<u>(3,952)</u>
Net book value as at 31 March 2014	385,720
Valuation surplus as at 31 March 2014	105,439
Valuation as at 31 March 2014 per Appendix III Valuation Report (excluding the properties under development)	<u>491,159</u>

PRO FORMA NET TANGIBLE ASSETS

The following pro forma statement of adjusted net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is set out below to illustrate the effect of the Global Offering on our net tangible assets as at 31 December 2013 as if the Global Offering had taken place on that date. The pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of our net tangible assets had the Global Offering been completed as at 31 December 2013 or at any future date. The pro forma statement of adjusted net tangible assets is based on the audited combined net tangible assets of our Group attributable to the equity holders of our Company as at 31 December 2013 as shown in the Accountant's Report of our Company, the text of which is set out in Appendix I to this prospectus, and adjusted as described below. The pro forma statement of net tangible assets does not form part of the Accountants' Report in Appendix I to this prospectus.

	Combined net tangible assets of our Group attributable to owners of our Company as at 31 December 2013	Estimated net proceeds from the Global Offering	Pro forma adjusted combined net tangible assets of the Group attributable to the owners of our Company	Pro forma adjusted combined net tangible assets of the Group attributable to owners of our Company per Share
	HK\$'000	HK\$'000	HK\$'000	HK\$
Based on an offer price of HK\$1.85 per Share	725,563	422,680	1,148,243	1.15
Based on an offer price of HK\$2.50 per Share	725,563	580,305	1,305,868	1.31

Notes: please see "Appendix II — Pro Forma Financial Information" in this prospectus for further details regarding the assumptions used and the calculation method.

FINANCIAL INFORMATION

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that there has been no material adverse change in our financial or trading position or prospects of our Company since the date of this prospectus.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE HONG KONG LISTING RULES

Our Directors confirm that as at the Latest Practicable Date, there were no circumstances which would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

Please see the section entitled “Business — Business Strategies” in this prospectus for a detailed description of our future plans.

USE OF PROCEEDS

In the event that the Over-allotment Option is not exercised, we estimate the net proceeds of the Global Offering which we will receive, assuming an Offer Price of HK\$2.18 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus), will be approximately HK\$495.8 million, after deduction of underwriting fees and commissions and other estimated expenses in connection with the Global Offering.

In the event the Over-allotment Option is exercised in full and assuming an Offer Price of HK\$2.18 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus), we will receive additional net proceeds of approximately HK\$79.3 million.

If the Offer Price is fixed at HK\$2.50 per Offer Share (being the high end of the Offer Price range stated in this prospectus), we will receive (i) additional net proceeds of approximately HK\$77.6 million, assuming the Over-allotment Option is not exercised; and (ii) additional net proceeds of approximately HK\$168.5 million, assuming the Over-allotment Option is exercised in full.

If the Offer Price is fixed at HK\$1.85 per Offer Share (being the low end of the Offer Price range stated in this prospectus), the net proceeds we receive will be (i) reduced by approximately HK\$80.0 million, assuming the Over-allotment Option is not exercised; and (ii) reduced by approximately HK\$12.7 million, assuming the Over-allotment Option is exercised in full.

We intend to use the net proceeds of the Global Offering for the following purposes:

- approximately 70%, representing approximately HK\$347.0 million, will be used to increase our production capacity by purchasing additional machineries and building our ninth production facility including:
 - HK\$20.5 million for purchasing 55 sets of machineries for elastic fabrics segment, HK\$28.4 million for purchasing and settling the remaining purchase price of a total of 129 sets of machineries for elastic webbing segment and HK\$27.2 million for purchasing and settling the remaining purchase price of a total of 11 sets of machineries for lace segment for the year ending 31 December 2014;
 - HK\$29.4 million for the purchasing of 75 sets of machineries for elastic fabrics segment, HK\$29.9 million for the purchasing of 129 sets of machineries for elastic webbing segment, HK\$53.2 million for the purchasing of 10 sets of machineries for the lace segment, and HK\$100.0 million for constructing our ninth production facility for the year ending 31 December 2015; and
 - The remaining HK\$58.4 million for our expansion plan from 2015 onward.

FUTURE PLANS AND USE OF PROCEEDS

- approximately 20%, representing approximately HK\$99.2 million, will be used to settle part of our syndicated loan incurred on 16 July 2013 used by us to re-finance our short-term loans in the PRC. The details of our syndicated loan are set out below:

<u>Syndicated lenders</u>	<u>Outstanding principal amount</u>	<u>Repayment date</u>	<u>Interest Rate</u>
Bank of China (Hong Kong) Limited, China CITIC Bank International Limited, DBS Bank (Hong Kong) Limited, Hang Seng Bank Limited and Standard Chartered Bank (Hong Kong) Limited	HK\$43.5 million	16 July 2014	Hong Kong Interbank Offered Rate (“ HIBOR ”) +3.6%
	HK\$65.3 million	16 January 2015	HIBOR +3.6%
	HK\$65.3 million	16 July 2015	HIBOR +3.6%
	HK\$87.0 million	16 January 2016	HIBOR +3.6%
	HK\$173.9 million	16 July 2016	HIBOR +3.6%

- approximately 10%, representing approximately HK\$49.6 million, will be used as our working capital and general corporate purposes.

The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the midpoint of the proposed Offer Price range.

In the event that the Over-allotment Option is exercised in full, we intend to apply the additional net proceeds to the above uses in the proportions stated above.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we intend to deposit the net proceeds into short-term demand deposits and/or money market instruments we will make an appropriate announcement if there is any change to the above proposed use of proceeds.

UNDERWRITING

HONG KONG UNDERWRITERS

CCB International Capital Limited;

DBS Asia Capital Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

We are offering the Hong Kong Offer Shares for subscription on the terms and subject to the conditions of this prospectus and the Application Forms at the Offer Price. Subject to the Listing Committee granting the listing of, and permission to deal in, our Shares in issue and to be issued, and to certain other conditions described in the Hong Kong Underwriting Agreement (including the Sole Global Coordinator, on behalf of the Underwriters, and us agreeing to the Offer Price), the Hong Kong Underwriters have agreed severally to subscribe or procure subscribers for the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering on the terms and subject to the conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional upon and subject to, among other things, the International Underwriting Agreement having been signed and becoming unconditional in accordance with its terms and not having been terminated in accordance with its terms or otherwise.

Grounds for termination

The Sole Global Coordinator (on behalf of itself and the Hong Kong Underwriters) may in its sole and absolute discretion terminate the Hong Kong Underwriting Agreement with immediate effect by notice in writing to us at any time at or prior to 8:00 a.m. on the Listing Date if;

- (i) there develops, occurs, exists or comes into force:
 - (a) any event or series of events resulting in or representing a calamity or crisis or a change or development involving a prospective change, in local, national, regional or international financial, political, military, industrial, economic, fiscal or market conditions or sentiments (including, without limitation, conditions and sentiments in stock and bond markets, money and foreign exchange markets, investment and credit markets and inter-bank markets) in or affecting Hong Kong, the PRC, the United States, Japan, Singapore, Canada, the European Union (or any member thereof), the BVI, the United Kingdom, the Cayman Islands, or any other jurisdiction relevant to any member of our Group (collectively the “**Relevant Jurisdictions**”); or
 - (b) any new law or regulation or any change or development involving a prospective change in any existing law or regulation, or any change or development involving a prospective change in the interpretation or application thereof by any

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court or other competent authority in or affecting any of the Relevant Jurisdictions; or

- (c) any event or series of events in the nature of force majeure (including, without limitation, acts of government, strikes, lock-outs, fire, explosion, flooding, civil commotion, riots, public disorder, declaration of a national or international emergency, acts of war, acts of God, acts of terrorism (whether or not responsibility has been claimed), epidemic, pandemic, outbreak of infectious disease (including without limitation SARS, H5N1, H1N1, H7N9 or H10N8 or swine or avian influenza or such related/mutated forms), accident or interruption or delay in transportation or economic sanctions) in or affecting any of the Relevant Jurisdictions; or
- (d) without limiting the foregoing, any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared), act of terrorism (whether or not responsibility has been claimed), or other state of emergency or calamity or crisis in or affecting any of the Relevant Jurisdictions; or
- (e) the imposition or declaration of (A) any moratorium, suspension, restriction or limitation on trading in shares or securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, NYSE Amex Equities, the Tokyo Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the London Stock Exchange or the stock exchange in any other member of the European Union or (B) any moratorium on, or disruption in, banking activities (commercial or otherwise) or foreign exchange trading or securities settlement or clearing services in or affecting any of the Relevant Jurisdictions; or
- (f) any change or development involving a change or prospective change in taxation or exchange controls (or the implementation of any exchange control) or currency exchange rates or control or foreign investment regulations in or affecting any of the Relevant Jurisdictions (including without limitation any fluctuation in the Hong Kong dollar or Renminbi against any foreign currencies); or
- (g) the commencement by any Government Authority (as defined in the Hong Kong Underwriting Agreement) or other regulatory or political body or law enforcement agency or organisation of any public action or investigation against a Director or an announcement by any Government Authority or regulatory or political body or law enforcement agency or organisation that it intends to take any such action; or
- (h) any imposition of economic sanction or withdrawal of trading privileges, in whatever form, directly or indirectly, by or for any of the Relevant Jurisdictions; or
- (i) any change in the system under which the value of the Hong Kong dollar is linked to that of the United States dollar or the value of the Renminbi is determined by reference to a basket of world currencies or a material devaluation of Hong Kong dollars or the Renminbi against any foreign currency; or

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- (j) any change or development or event involving a prospective change in our Group's assets, liabilities, profit, losses, performance, condition, business, financial, earnings, trading position or prospects, or any change in capital stock or long-term debt of our Company or any other member of our Group, or any loss or interference with the assets, operations or business of our Company or any other member of our Group, which (in any such case) is not set forth in this prospectus; or
- (k) a conclusive demand by any tax authority for payment for any tax liability for any member of our Group; or
- (l) a valid demand by any creditor for repayment or payment of any indebtednesses of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or
- (m) non-compliance of this prospectus (or any other documents used in connection with the contemplated subscription of the Hong Kong Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable law; or
- (n) any event, act or omission which gives rise or is likely to give rise to any material liability of our Company or any of our Directors and our Controlling Shareholders pursuant to the indemnities under the Hong Kong Underwriting Agreement; or
- (o) any adverse change in or any development involving a prospective adverse change in, or a materialisation of, any of the risks set out in the section headed "Risk Factors" in this prospectus in a significant manner; or
- (p) that (A) any Director, chief executive officer or chief financial officer of our Company named in this prospectus seeks to resign or retire, or is removed from office, or (B) any certificate given by our Company or any of its officers the Sole Global Coordinator under or in connection with the Hong Kong Underwriting Agreement or the Global Offering is false or misleading, or (C) any Director or any member of senior management named in this prospectus is being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company, or (D) a regulatory, governmental or administrative authority (including any stock exchange) or law enforcement agency or a political body or organisation in any jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any Director; or
- (q) the commencement by any judicial, regulatory, governmental or political body or law enforcement agency or organisation of any action, claim or proceedings against any Director or an announcement by any judicial, regulatory, governmental or political body or law enforcement agency or organisation that it intends to take any such action; or

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- (r) save as disclosed in this prospectus, a contravention by any member of our Group of the Listing Rules or the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Companies Ordinance or any applicable laws or regulations; or
- (s) any loss or damage sustained by any member of our Group as a result of a breach of its respective obligations or non-compliance with the applicable laws and regulations (howsoever caused and whether or not the subject of any insurance or claim against any person); or
- (t) any litigation, legal action or claim being threatened or instigated against any member of our Group, our Directors or our Controlling Shareholders; or
- (u) an order or 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
- (v) a prohibition on our Company for whatever reason from allotting, issuing or selling the Offer Shares (including our Shares to be sold pursuant to the exercise of the Over-allotment Option) pursuant to the terms of the Global Offering;

and which, in any such case (whether individually or in the aggregate) and in the sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters):

- (A) has or may have or will have or is likely to have a material adverse effect, whether directly or indirectly, on the assets, liabilities, business, general affairs, management, shareholders' equity, profits, losses, trading position, results of operations, prospects, position or condition, financial or otherwise, or performance of our Group as a whole; or
- (B) has or may have or will have or is likely to have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or
- (C) makes, may make or will or is likely to make it impracticable or inadvisable or in expedient for any part of the Hong Kong Underwriting Agreement, the Hong Kong Public Offering or the Global Offering to proceed or to be performed or implemented as envisaged or to market the Global Offering; or
- (D) makes or may make or will or is likely to make it inadvisable or inexpedient to proceed with the Hong Kong Public Offering and/or the Global Offering or delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus; or

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- (ii) any of the following shall have come to the notice of the Sole Global Coordinator after the date of the Hong Kong Underwriting Agreement and/or it has reasonable cause to believe:
- (a) that any statement contained in any of our formal notice in relation to the Hong Kong Public Offering and the Offer Documents (as defined in the Hong Kong Underwriting Agreement) was or has become untrue or incorrect in any material respect or misleading in any respect, or that any estimate, forecast, expression of opinion, intention or expectation contained in this prospectus or any notice, advertisement or announcement issued by our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) is not fair and honest and based on reasonable assumptions with reference to the facts and circumstances then subsisting; or
 - (b) any matter which would, if our formal notice in relation to the Hong Kong Public Offering and the Offer Documents and/or any notice, advertisement or announcement issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) were issued at that time, constitute a material omission therefrom; or
 - (c) other than with the consent of the Sole Global Coordinator and save as requested and/or required by the Stock Exchange and/or the SFC (in such a case the consent of the Sole Global Coordinator should not be unreasonably withheld or delayed), the issue or requirement to issue by our Company of a supplemental prospectus or amendment to the Prospectus (or to any other documents used in connection with the contemplated offer and sale of our Shares); or
 - (d) that any of the Warranties (as defined in the Hong Kong Underwriting Agreement) or representations and warranties given by our Company and our Directors and our Controlling Shareholders under the International Underwriting Agreement is (or would if repeated at that time be) breached or is untrue or incorrect in any material respect or misleading; or
 - (e) any matter, event, act or omission which gives or is likely to give rise to any material liability on the part of our Company or our Directors and our Controlling Shareholders out of or in connection with any breach, inaccuracy and/or incorrectness of the Warranties and/or the indemnities given by our Company, our Directors, our Controlling Shareholders or any of them under the Hong Kong Underwriting Agreement; or
 - (f) any breach of any of the obligations or undertakings of our Company, our Directors, our Controlling Shareholders under the Hong Kong Underwriting Agreement, the International Underwriting Agreement or any other agreement relating to the Global Offering; or
 - (g) our Company withdraws this prospectus and/or the Application Forms; or

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- (h) approval by the Listing Committee for the listing of, and permission to deal in, our Shares to be issued or sold (including any Shares that may be sold pursuant to the exercise of the Over-allotment Option) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the date of approval of the listing, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (i) any of the experts in relation to the Global Offering as set out under section headed “Statutory and General Information — 7. Qualification of experts” in Appendix V of this prospectus has withdrawn its/his respective consent to the issue of this prospectus with the inclusion of its reports, letters, summaries of valuations and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears.

Undertakings

Undertakings by our Company

Pursuant to the Hong Kong Underwriting Agreement, our Company has undertaken to the Sole Global Coordinator, the Joint Bookrunners, and the Hong Kong Underwriters, inter alia, that except pursuant to the Global Offering, the Over-allotment Option and options which were granted under the Pre-IPO Share Option Scheme and may be granted under the Share Option Scheme or with the prior consent of the Sole Global Coordinator (for itself and on behalf of the Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (A) our Company will not, and will procure that our subsidiaries will not, offer, accept subscription for, pledge, issue, sell, lend, mortgage, assign, charge, contract to issue or sell, sell any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend, or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, Shares or other securities of our such subsidiaries or any interest therein (including but not limited to, warrants or other convertible or exchangeable securities) (collectively, the “**Relevant Group Subsidiaries**”) or repurchase the Relevant Group Subsidiaries or enter into any swap or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of any the Relevant Group Subsidiaries or any interest thereon or offer to or agree to do any of the foregoing or announce any intention to do so during the period commencing from the date of the Hong Kong Underwriting Agreement and ending on the date which is six months from the Listing Date (the “**First Six-Month Period**”);
- (B) our Company will not enter into any of the transactions described in paragraph (A) above or agree or contract to or publicly announce any intention to enter into any such transactions such that any of our Controlling Shareholders would cease to be a controlling shareholder (as defined in the Listing Rules) of our Company during the period of six months immediately following the expiry of the First Six-Month Period (the “**Second Six-Month Period**”); and
- (C) our Company will ensure that if any of the transactions described in paragraph (A) above are carried out during the Second Six-Month Period, our Company will take all

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reasonable steps to ensure that any such act will not create a disorderly or false market for any Shares or other securities of our Company.

Undertakings by the Controlling Shareholders

Pursuant to the Hong Kong Underwriting Agreement, each of the Controlling Shareholders has jointly and severally undertaken to the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that:

- (A) during the period commencing on the date of this prospectus and ending on the expiry date of the First Six-Month Period, each of our Controlling Shareholders shall not, and shall procure that the relevant registered holder(s) and his/its associates and companies controlled by him/it and any nominee or trustee holding in trust for him/it shall not, without the prior written consent of the Sole Global Coordinator (for itself and on behalf of the Underwriters) and unless pursuant to the Stock Borrowing Agreement or otherwise in compliance with the requirements of the Listing Rules:
 - (i) offer, pledge, charge (other than any pledge or charge of our Company's issued share capital after the Global Offering (assuming the Over-allotment Option is not exercised) in favour of an authorised institution as defined in the Banking Ordinance (Cap. 155 of the Laws of Hong Kong) for a bona fide commercial loan pursuant to Note 2 to Rule 10.07(2) of the Listing Rules), sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any of our Shares or any securities convertible into or exercisable or exchangeable for, or that represent the right to receive, any of our Shares or securities of our Company beneficially owned by him/it or the relevant company, nominee or trustee (including any interest in any shares in any company controlled by him/it) which is directly or indirectly a beneficial owner of any of our Shares or securities of our Company or any interest thereon (the "**Relevant Securities**"); or
 - (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Relevant Securities;
 - (iii) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in paragraphs (i) or (ii) above; or
 - (iv) announce any intention to enter into or effect any of the transactions referred to in paragraphs (i), (ii) or (iii) above. which any of the foregoing transactions referred to in paragraphs (i), (ii) or (iii) is to be settled by delivery of Shares or such other securities, in cash or otherwise;
- (B) each of our Controlling Shareholders will, and will procure that his/its respective associates and companies controlled by him/it and any nominee or trustees holding in trust for him/it shall, 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; and

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- (C) each of the Controlling Shareholders will not, during the Second Six-Month Period, enter into any of the transactions specified in paragraph (A) above or offer to or agree to or publicly announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, he/it will cease to be a controlling shareholder (as defined in the Listing Rules) of our Company. In the event that any of our Controlling Shareholders enters into any of such transactions or offers to or agrees to or contracts to or announces any intention to effect any such transactions in compliance with this paragraph (C), he/it will take all reasonable steps to ensure that he/it will not create a disorderly or false market in the securities of our Company.

Undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that no further Shares or securities convertible into our Company's equity securities (whether or not of a class already issued) may be issued by our Company or form the subject of any agreement to such an issue by our Company within six months from the Listing Date (whether or not such issue of Shares or our Company's securities will be completed within six months from the Listing Date), except in certain circumstances prescribed by Rule 10.08 of the Listing Rules.

Undertakings by the Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, our Controlling Shareholders have undertaken to the Stock Exchange and to our Company that, they will not and will procure that the relevant registered holder(s) will not:

- (a) in the period commencing from the date by reference to which disclosure of their shareholdings 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, interests or encumbrances in respect of, any of our Shares in respect of which they are shown by this prospectus to be the beneficial owner; and
- (b) in the period of six months commencing on the date on which the period referred to in paragraph (a) 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 if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, they would cease to be our Controlling Shareholders.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, our Controlling Shareholders have undertaken to the Stock Exchange and to our Company that within the period commencing from the

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date by reference to which disclosure of their shareholdings in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, they will:

- (a) when they pledge or charge any Shares beneficially owned by them in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the laws of Hong Kong)) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company of such pledge or charge together with the number of Shares so pledged or charged; and
- (b) when they receive indications, either verbal or written, from the pledgee or chargee of any Shares that any of the pledged or charged Shares will be sold, transferred or disposed of, immediately inform our Company and the Sole Global Coordinator in writing of such indications.

Our Company will inform the Stock Exchange in writing as soon as we have been informed of matters referred in above by any of our Controlling Shareholders and disclose such matters by way of announcement pursuant to the requirements under the Listing Rules as soon as possible.

International Offering

In connection with the International Offering, it is expected that our Company will enter into the International Underwriting Agreement with, among others, our Controlling Shareholders and the International Underwriters, on terms and conditions that are substantially similar to the Hong Kong Underwriting Agreement as described above and on the additional terms described below. Under the International Underwriting Agreement, the International Underwriters will severally agree to subscribe or purchase or procure subscribers for the International Offer Shares being offered pursuant to the International Offering.

Over-allotment Option

Our Company is expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Sole Global Coordinator on behalf of the International Underwriters at any time from the date of the Price Determination Date until 30 days after the last date for the lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue up to an aggregate of 37,500,000 additional Shares, representing 15% of the Offer Shares initially offered under the Global Offering, at the same price per Share under the International Offering to cover, over-allocations in the International Offering, if any.

Commissions and Expenses

The Underwriters will receive an underwriting commission at the rate of 3% of the aggregate Offer Price payable for the Offer Shares (including our Shares to be issued pursuant to the Over-allotment Option). Furthermore, our Company agrees, at its sole and absolute discretion, to pay to the Underwriters a discretionary incentive fee at the rate of up to 1% of the aggregated Offer Price in respect of the Offer Shares. The underwriting commissions, documentation fee, listing fees, Stock Exchange trading fee and transaction levy, legal and other professional fees, and printing and other expenses in relation to the Global Offering are estimated to amount to approximately HK\$49.2 million in total (based on the Offer Price of HK\$2.18 per Share, being the mid-point of the indicative Offer Price range of HK\$1.85 to HK\$2.50 per Share and assuming the Over-allotment Option is not exercised), and are payable by our Company.

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UNDERWRITERS' INTERESTS IN OUR COMPANY

The Sole Global Coordinator and other Underwriters will receive an underwriting commission. Particulars of these underwriting commission and expenses are set out in the paragraph headed “— Underwriting Arrangements and Expenses” in this section for further information.

Our Company will, before the Listing Date, appoint CCBI as its compliance advisor pursuant to Rule 3A.19 of the Listing Rules for the period commencing on the Listing Date and ending on the date on which our Company complies with Rule 3A.46 of the Listing Rules in respect of its financial results for the first financial year commencing after such Listing Date, or until the agreement is terminated, whichever is earlier.

Save for their obligations under the Underwriting Agreements, none of the Underwriters is interested legally or beneficially in any shares of any member of our Group nor has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any member of our Group nor any interest in the Global Offering.

MINIMUM PUBLIC FLOAT

Our Directors and the Sole Global Coordinator will ensure that there will be a minimum 25% of the total issued Shares held in public hands in accordance with Rule 8.08 of the Listing Rules after completion of the Global Offering.

SOLE SPONSOR'S INDEPENDENCE

CCBI is considered to be an independent sponsor pursuant to Rule 3A.07 of the Listing Rules.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the “**Syndicate Members**”) and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilising process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to our Shares, those activities could include acting as agent for buyers and sellers of our Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in our Shares, and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including our Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling

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of our Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/ or short positions in our Shares, in baskets of securities or indices including our Shares, in units of funds that may purchase our Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having our Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in our Shares in most cases.

All such activities may occur both during and after the end of the stabilising period described in the section headed “Structure of the Global Offering” in this prospectus. Such activities may affect the market price or value of our Shares, the liquidity or trading volume in our Shares and the volatility of the price of our Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

- (a) the Syndicate Members (other than the Stabilising Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilising or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and
- (b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering.

The Global Offering consists of (subject to adjustment and the Over-allotment Option):

- the Hong Kong Public Offering of 25,000,000 Shares (subject to adjustment as mentioned below) in Hong Kong as described under the paragraph headed “— The Hong Kong Public Offering” in this section below; and
- the International Offering of 225,000,000 Shares (subject to adjustment as mentioned below) outside the United States in reliance on Regulation S of the Securities Act as described under the paragraph headed “— The International Offering” in this section below.

Investors may apply for the Offer Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for the Offer Shares under the International Offering, but may not do both. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Offering will involve selective marketing of the Offer Shares to institutional and professional investors and other investors outside the United States in reliance on Regulation S of the Securities Act. The International Underwriters are soliciting from prospective investors indications of interest in acquiring the Offer Shares in the International Offering. Prospective investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering respectively may be subject to adjustment as described in the paragraph headed “— Pricing and Allocation” in this section.

PRICING AND ALLOCATION

Offer Price

The Offer Price will be not more than HK\$2.50 per Offer Share and is expected to be not less than HK\$1.85 per Offer Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, as explained below.

Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

Price payable on application

Applicants under the Hong Kong Public Offering must pay, on application, the maximum indicative Offer Price of HK\$2.50 per Hong Kong Public Offer Share plus 1% brokerage, a 0.003% SFC transaction levy and a 0.005% Stock Exchange trading fee, amounting to a total of HK\$5,050.40 for one board lot of 2,000 Shares. Each Application Form includes a table showing the exact amount payable on certain numbers of Offer Shares. If the Offer Price as finally determined in the manner described below, is less than HK\$2.50, appropriate refund payments

STRUCTURE OF THE GLOBAL OFFERING

(including the brokerage, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants without interest. See the section headed “How to Apply for Hong Kong Offer Shares — 13. Refund of application monies” in this prospectus for further details.

Determining the Offer Price

The International Underwriters are soliciting from prospective investors indications of interest in acquiring our Shares in the International Offering. Prospective investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building, is expected to continue up to, and to cease on or around the Price Determination Date.

The Offer Price is expected to be fixed by agreement between the Sole Global Coordinator (on behalf of the Underwriters) and our Company on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around Friday, 16 May 2014 and in any event, no later than 12:00 noon on Wednesday, 21 May 2014.

If, for any reason, our Company and the Sole Global Coordinator (on behalf of the Underwriters) are unable to reach agreement on the Offer Price at or before 12:00 noon on Wednesday, 21 May 2014, the Global Offering will not proceed and will lapse.

Reduction in Offer Price range and/or number of Offer Shares

If, based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, the Sole Global Coordinator (on behalf of the Underwriters) consider it appropriate and together with the consent of our Company, the indicative Offer Price range and/or the number of Hong Kong Offer Shares may be reduced 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 Offering.

In such a case, our Company will, as soon as practicable following the decision to make any such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause to be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) notice of the reduction in the indicative Offer Price range and/or number of Offer Shares. Such notice will also include confirmation or revision, as appropriate, of the 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. The Offer Price, if agreed upon, will be fixed within such revised Offer Price range. In the absence of the publication of any such notice the Offer Price shall under no circumstances be set outside the Offer Price range indicated in this prospectus.

Before submitting applications for Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative Offer Price range and/or number of Offer Shares may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering.

STRUCTURE OF THE GLOBAL OFFERING

Allocation

The Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Global Coordinator.

Allocation of the Offer Shares pursuant to the International Offering will be determined by the Sole Global Coordinator and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell Shares after Listing. Such allocation may be made to professional, institutional and corporate investors and is intended to result in a distribution of our Shares on a basis which would lead to the establishment of a stable shareholder base to the benefit of our Company and our Shareholders as a whole.

Allocation of our Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. The allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation 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.

Announcement of final Offer Price and basis of allocations

The applicable final Offer Price, the level of indications of interest in the International Offering and the basis of allocations of the Hong Kong Offer Shares are expected to be announced on Thursday, 22 May 2014 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese).

Results of allocations in the Hong Kong Public Offering, including the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants (where applicable) and the number of Hong Kong Offer Shares successfully applied for under **WHITE** and **YELLOW** Application Forms, or by giving **electronic application instructions** to HKSCC or by applying online through the **White Form eIPO** Service Provider under the **White Form eIPO** Service, will be made available through a variety of channels as described in the section headed "How to Apply for Hong Kong Offer Shares — Publication of results" in this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for the Offer Shares pursuant to the Hong Kong Public Offering will be conditional upon, among other things:

- the Listing Committee granting listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Global Offering (including our Shares which may be made available or issued pursuant to the Capitalisation Issue, the exercise of the Over-allotment Option and any Shares which may fall to be issued upon the exercise of the options which were granted under the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme);
- the Offer Price having been duly agreed on or around the Price Determination Date;

STRUCTURE OF THE GLOBAL OFFERING

- the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and
- the obligations of the Underwriters under each of the International Underwriting Agreement and the Hong Kong Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in such 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 30 days after the date of this prospectus.

The consummation of each of the Hong Kong Public Offering and the International Offering 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 Offering will cause to be published by us in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such event, 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 — 13. Refund of Application Monies” in this prospectus. In the meantime, the application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares are expected to be issued on Thursday, 22 May 2014 but will only become valid certificates of title at 8:00 a.m. on Friday, 23 May 2014, 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 — Hong Kong Public Offering — Grounds for termination” in this prospectus has not been exercised.

THE HONG KONG PUBLIC OFFERING

Number of Shares initially offered

Our Company is initially offering 25,000,000 Shares at the Offer Price representing 10% of the 250,000,000 Shares initially available under the Global Offering, for subscription by the public in Hong Kong. Subject to adjustment as mentioned below, the number of Shares offered under the Hong Kong Public Offering will represent 2.5% of the total issued share capital of our Company immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Completion of the Hong Kong Public Offering is subject to the conditions as set out in the paragraph headed “— Conditions of the Global Offering” in this section.

STRUCTURE OF THE GLOBAL OFFERING

Allocation

For allocation purposes only, the Hong Kong Offer Shares initially being offered for subscription under the Hong Kong Public Offering (after taking into account any adjustment in the number of Offer Shares allocated between the Hong Kong Public Offering and the International Offering) will be divided equally into two pools (subject to adjustment of odd lot size). Pool A will comprise 12,500,000 Hong Kong Offer Shares and Pool B will comprise 12,500,000 Hong Kong Offer Shares, both of which are available on a fair basis to successful applicants. All valid applications that have been received for Hong Kong Offer Shares with a total amount (excluding brokerage fee, the SFC transaction levy and the Stock Exchange trading fee) of HK\$5 million or below will fall into Pool A and all valid applications that have been received for Hong Kong Offer Shares with a total amount (excluding brokerage fee, the SFC transaction levy and the Stock Exchange trading fee) of over HK\$5 million and up to the total value of Pool B will fall into Pool B.

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If Hong Kong Offer Shares in one pool (but not both pools) are undersubscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only receive an allocation of Hong Kong Offer Shares from either Pool A or Pool B but not from both pools and may only apply for Hong Kong Offer Shares in either Pool A or Pool B. In addition, multiple or suspected multiple applications within either pool or between pools will be rejected.

No application will be accepted from applicants for more than 12,500,000 Hong Kong Offer Shares (being 50% of the initial number of Hong Kong Offer Shares).

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment. If the number of Offer Shares validly applied for in the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more, of the number of Offer Shares initially available under the Hong Kong Public Offering, the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 75,000,000, 100,000,000 and 125,000,000 Shares, respectively, representing 30% (in the case of (i)), 40% (in the case of (ii)) and 50% (in the case of (iii)), respectively, of the total number of Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option). In such cases, the number of Offer Shares allocated in the International Offering will be correspondingly reduced, in such manner as the Sole Global Coordinator deems appropriate, and such additional Offer Shares will be allocated to Pool A and Pool B equally.

If the Hong Kong Offer Shares are not fully subscribed, the Sole Global Coordinator has the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Sole Global Coordinator deems appropriate. In addition, the Sole Global Coordinator may reallocate International Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

The Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Global Coordinator.

STRUCTURE OF THE GLOBAL OFFERING

Applications

The Sole Global Coordinator (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Sole Global Coordinator so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for Offer Shares under the Hong Kong Public Offering.

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him that he and any person for whose benefit he is making 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 Offering, and such applicant's application is liable to be rejected if the said undertaking or confirmation is breached or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Offering. References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE INTERNATIONAL OFFERING

Number of Offer Shares offered

The number of the Offer Shares to be initially offered for subscription by our Company under the International Offering will be 225,000,000 Shares, representing 90% of the Offer Shares under the Global Offering. The International Offering is subject to the Hong Kong Public Offering becoming unconditional.

Allocation

Pursuant to the International Offering, the International Underwriters will conditionally place our Shares with institutional and professional investors and other investors expected to have a sizeable demand for the International Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S of the Securities Act. Allocation of the International Offer Shares pursuant to the International Offering will be effected in accordance with the “bookbuilding” process described in paragraph headed “— Pricing and Allocation” in this section and based on a number of factors, including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares, and/or hold or sell its International Offer Shares after Listing. Such allocation is intended to result in a distribution of the International Offer Shares on a basis which would lead to the establishment of a stable shareholder base to the benefit of our Company and our Shareholders as a whole.

OVER-ALLOTMENT OPTION

Our Company is expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Sole Global Coordinator on behalf of the International Underwriters at any time and from time to time from the Listing Date, up to (and including) the date which is the 30th day after the last day for lodging of Application Forms under the Hong Kong Public Offering. An announcement will be made in the event that the Over-allotment Option is exercised. Pursuant

STRUCTURE OF THE GLOBAL OFFERING

to the Over-allotment Option, our Company may be required to sell up to 37,500,000 Shares, representing 15% of the maximum number of Offer Shares initially available under the Global Offering, at the Offer Price.

STOCK BORROWING AGREEMENT

CCBI, as the Stabilising Manager, or any person acting for it may choose to borrow Shares from Grandview under the Stock Borrowing Agreement, or acquire Shares from other sources, including the exercise of the Over-allotment Option. The Stock Borrowing Agreement will not be subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set forth in Rule 10.07(3) of the Listing Rules are to be complied with as follows:

- such stock borrowing arrangement with Grandview will only be effected by the Stabilising Manager for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option in connection with the International Offering;
- the maximum number of Shares borrowed from 37,500,000 under the Stock Borrowing Agreement will be limited to the maximum number of Shares which may be issued upon exercise of the Over-allotment Option;
- the same number of Shares so borrowed must be returned to 37,500,000 or its nominees on or before the third Business Day following the earlier of (i) the last day on which the Over-allotment Option may be exercised, (ii) the date on which the Over-allotment Option is exercised in full and the relevant over-allocation shares have been allocated, and (iii) such earlier time as the parties may from this to time agree in writing;
- the stock borrowing arrangement under the Stock Borrowing Agreement will be effected in compliance with all applicable laws, listing rules and regulatory requirements: and
- no payment will be made to Grandview by the Stabilising Manager or its authorised agents in relation to such stock borrowing arrangement.

STABILISATION AND OVER-ALLOTMENT

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise the underwriters may bid for, or purchase, the new securities in the secondary market during a specified period of time to retard and, if possible, prevent any decline in the market price of the securities below the offer price in Hong Kong, activity aimed at reducing the market price is prohibited and the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Global Offering, CCBI, as Stabilising Manager, or any person acting for it, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate, make purchases or effect any other transactions with a view to stabilising or maintaining the market price of the Offer Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the Listing Date. Any market purchases of Shares will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on CCBI or any person acting for it to conduct any such stabilising activity, which if commenced, will be done at the absolute discretion of CCBI and may be discontinued at any time. Any such stabilising activity is required to be brought to an end

STRUCTURE OF THE GLOBAL OFFERING

within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering. The number of Offer Shares that may be over-allocated will not exceed the number of Offer Shares that may be sold under the Over-allotment Option, namely, 37,500,000 Shares, which is 15% of the Offer Shares initially available under the Global Offering.

Stabilising action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilising) Rules (Chapter 571W of the Laws of Hong Kong) includes: (i) over-allocation for the purpose of preventing or minimizing any reduction in the market price of our Shares; (ii) selling or agreeing to sell the Offer Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Offer Shares; (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the Offer Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of the Offer Shares for the sole purpose of preventing or minimizing any reduction in the market price of our Shares; (v) selling or agreeing to sell any Offer Shares in order to liquidate any position held as a result of those purchases; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in our Shares should note that:

- CCBI, or any person acting for it, may, in connection with the stabilising action, maintain a long position in our Shares;
- there is no certainty regarding the extent to which and the time period for which CCBI, or any person acting for it, will maintain such a position;
- liquidation of any such long position by CCBI may have an adverse impact on the market price of our Shares;
- no stabilising action can be taken to support the price of our Shares for longer than the stabilising period which will begin on the Listing Date following announcement of the Offer Price, and is expected to expire on the last Business Day immediately before the 30th day after the last date for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilising action may be taken, demand for our Shares, and therefore the price of our Shares, could fall;
- the price of our Shares cannot be assured to stay at or above the Offer Price either during or after the stabilising period by taking of any stabilising action; and
- stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants for, or investors in our Shares.

Our Company will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilising) Rules (Chapter 571 W of the Laws of Hong Kong) will be made within seven days of the expiration of the stabilising period.

In connection with the Global Offering, CCBI may over-allocate up to and not more than an aggregate of 37,500,000 additional Shares and cover such over-allocations by exercising the Over-allotment Option, or by making purchases in the secondary market at prices that do not

STRUCTURE OF THE GLOBAL OFFERING

exceed the Offer Price or through stock borrowing arrangements or a combination of these means. In particular, for the purpose of settlement of over-allocations in connection with the International Offering, CCBI may borrow up to 37,500,000 Shares from Grandview, equivalent to the maximum number of Shares to be issued on the full exercise of the Over-allotment Option, under the Stock Borrowing Agreement.

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling our Shares to be admitted into CCASS. If the Stock Exchange grants the listing of, and permission to deal in, our Shares and our Company complies 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 date of commencement of dealings in our Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, 23 May 2014, it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, 23 May 2014. The Shares will be traded in board lots of 2,000 Shares.

HOW TO APPLY FOR HONG KONG OFFER SHARES

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **White Form eIPO** service at www.eipo.com.hk;
- 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.

Our Company, the Sole Global Coordinator, **White Form eIPO** 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 **White Form eIPO** service, 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.

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** service 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 our Company and/or any its subsidiaries;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- a Director or chief executive officer of our Company and/or any of its subsidiaries;
- an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

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.eipo.com.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 hours from 9:00 a.m. on Tuesday, 13 May 2014 until 12:00 noon on Friday, 16 May 2014 from:

- (i) any of the following addresses of the Hong Kong Underwriters:
 - (a) **CCB International Capital Limited** at 12/F., CCB Tower, 3 Connaught Road Central, Central, Hong Kong; or
 - (b) **DBS Asia Capital Limited** at 17/F., The Center, 99 Queen's Road Central, Hong Kong
- (ii) any of the branches of the following receiving banks:
 - (a) **Bank of China (Hong Kong) Limited**

District	Branch Name	Address
Hong Kong Island	Bank of China Tower Branch	3/F, 1 Garden Road
	Taikoo Shing Branch	Shop G1006, Hoi Sing Mansion, Taikoo Shing
Kowloon	Wong Tai Sin Branch	Shop G13, Wong Tai Sin Plaza, Wong Tai Sin
	East Point City Branch	Shop 101, East Point City, Tseung Kwan O
New Territories		
	Sheung Shui Branch	136 San Fung Avenue, Sheung Shui
	Securities Services Centre	

HOW TO APPLY FOR HONG KONG OFFER SHARES

(b) China Construction Bank (Asia) Corporation Limited

District	Branch Name	Address
Hong Kong Island	Sheung Wan	237 Des Voeux Road
	Des Voeux Road Branch	Central, Sheung Wan
	Wanchai Hennessy Road Branch	139 Hennessy Road, Wanchai
Kowloon	Mei Foo Branch	Shop N46, G/F, Mei Foo Sun Chuen, Stage 6
	Kowloon Bay Amoy Gardens Branch	Shop 181, G/F, Phase IIA, Amoy Gardens, Kowloon Bay
New Territories	Tsuen Wan Branch	282 Sha Tsui Road, Tsuen Wan

(c) DBS Bank (Hong Kong) Limited

District	Branch Name	Address
Hong Kong Island	Head Office	G/F, The Center, 99 Queen's Road Central
	United Centre Branch	Shops 1015–1018, 1/F and Shops 2032–2034, 2/F, United Centre, 95 Queensway, Admiralty
Kowloon	Nathan Road Branch	G/F, Wofoo Commercial Building, 574–576 Nathan Road, Mongkok
	Hoi Yuen Road Branch	Unit 2, G/F, Hewlett Centre, 54 Hoi Yuen Road, Kwun Tong
New Territories	Shatin Plaza Branch	Shops 47–48, Level 1, Shatin Plaza, 21–27 Sha Tin Centre Street, Shatin

(d) Hang Seng Bank Limited

District	Branch Name	Address
Hong Kong Island	Head Office	83 Des Voeux Road Central
	Causeway Bay Branch	28 Yee Wo Street
	North Point Branch	335 King's Road
Kowloon	Tsimshatsui Branch	18 Carnarvon Road
	Yaumati Branch	363 Nathan Road

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, 13 May 2014 until 12:00 noon on Friday, 16 May 2014 from the Depository Counter of HKSCC at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong or from your stockbroker.

HOW TO APPLY FOR HONG KONG OFFER SHARES

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 — Best Pacific 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:

- Tuesday, 13 May 2014 – 9:00 a.m. to 5:00 p.m.
- Wednesday, 14 May 2014 – 9:00 a.m. to 5:00 p.m.
- Thursday, 15 May 2014 – 9:00 a.m. to 5:00 p.m.
- Friday, 16 May 2014 – 9:00 a.m. to 12:00 noon

The Application Lists will be open from 11:45 a.m. to 12:00 noon on Friday, 16 May 2014, 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.

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 **White Form eIPO** service, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Sole Global Coordinator (or its agents or nominees), as agents of our 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, the Companies 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;
- (v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;
- (vi) agree that none of our 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);

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (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 Offering nor participated in the International Offering;
- (viii) agree to disclose to our 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 our 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 (a) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (b) 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;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-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 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 our 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;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (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 **White Form eIPO** service 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 (a) 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 (b) 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 WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in “Who can apply” section, may apply through the **White Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated website at www.eipo.com.hk.

Detailed instructions for application through **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

Time for Submitting Applications under the White Form eIPO service

You may submit your application to **White Form eIPO** service at www.eipo.com.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Tuesday, 13 May 2014 until 11:30 a.m. on Friday, 16 May 2014 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, 16 May 2014 or such later time under the “Effect of Bad Weather on the Opening of the Application Lists” in this section.

No Multiple Applications

If you apply by means of **White Form eIPO** service, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **White Form eIPO** 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 **White Form eIPO** service 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 **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our 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).

Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of papers via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK\$2 for each “**Best Pacific International Holdings Limited**” **White Form eIPO** application submitted via the www.eipo.com.hk to support the funding of “Source of Dong Jiang — Hong Kong Forest” project initiated by Friends of the Earth (HK).

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.

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 Centre
2nd Floor, Infinitus Plaza
199 Des Voeux Road 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 our Company, the Sole Global Coordinator and our Hong Kong Share Registrar.

HOW TO APPLY FOR HONG KONG OFFER SHARES

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 Offering;
 - (if the electronic application instructions are given for your benefit) 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 our Company, our 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 our Company to place HKSCC Nominees' name on our 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 our 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);

HOW TO APPLY FOR HONG KONG OFFER SHARES

- agree to disclose your personal data to our 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 our Company 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 our Company's announcement of the Hong Kong Public Offering 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 our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for 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, the Companies 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.

HOW TO APPLY FOR HONG KONG OFFER SHARES

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 our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- 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:

- Tuesday, 13 May 2014 – 9:00 a.m. to 8:30 p.m.⁽¹⁾
- Wednesday, 14 May 2014 – 8:00 a.m. to 8:30 p.m.⁽¹⁾
- Thursday, 15 May 2014 – 8:00 a.m. to 8:30 p.m.⁽¹⁾
- Friday, 16 May 2014 – 8:00 a.m.⁽¹⁾ 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 Tuesday, 13 May 2014 until 12:00 noon on Friday, 16 May 2014 (24 hours daily, except on the last application day).

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The latest time for inputting your electronic application instructions will be 12:00 noon on Friday, 16 May 2014, 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.

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, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (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 our Company, the Hong Kong Share Registrar, the receiving bankers, 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 **White Form eIPO** service is also only a facility provided by the **White Form eIPO** 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. Our Company, our Directors, the Joint Bookrunners, the Sole Sponsor, the Sole Global Coordinator and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through **White Form eIPO** service 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 Friday, 16 May 2014.

HOW TO APPLY FOR HONG KONG OFFER SHARES

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 **White Form eIPO** service, 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.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through White Form eIPO service 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.eipo.com.hk.

HOW TO APPLY FOR HONG KONG OFFER SHARES

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” in this prospectus.

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 Friday, 16 May 2014. Instead they will open between 9:00 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 Friday, 16 May 2014 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” in this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Thursday, 22 May 2014 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on our Company’s website at www.bestpacific.com and the website of the Stock Exchange at 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 Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company’s website at www.bestpacific.com and the Stock Exchange’s website at www.hkexnews.hk by no later than 8:00 a.m. on Thursday, 22 May 2014;
- from the designated results of allocations website at www.iporesults.com.hk with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Thursday, 22 May 2014 to 12:00 midnight on Wednesday, 28 May 2014;
- by telephone enquiry line by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from Thursday, 22 May 2014 to Sunday, 25 May 2014;
- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, 22 May 2014 to Saturday, 24 May 2014 at all the receiving bank branches and sub-branches.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If our 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” in this prospectus.

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 the **White Form eIPO** 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 our 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 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 our Company or its agents exercise their discretion to reject your application:

Our Company, the Sole Global Coordinator, the **White Form eIPO** 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.

HOW TO APPLY FOR HONG KONG OFFER SHARES

(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 our 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 our 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 Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your electronic application instructions through **White Form eIPO** service 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;
- our 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 Offering.

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\$2.50 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure of the Global Offering — Conditions of the Global Offering" 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 Thursday, 22 May 2014.

HOW TO APPLY FOR HONG KONG OFFER SHARES

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 Offering (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 our 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).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Thursday, 22 May 2014. 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 Friday, 23 May 2014 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 Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 22 May 2014 or such other date as notified by us in the newspapers.

HOW TO APPLY FOR HONG KONG OFFER SHARES

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 Thursday, 22 May 2014, 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 Thursday, 22 May 2014, 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 Thursday, 22 May 2014, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- **If you apply through a designated CCASS participant (other than a CCASS investor participant)**

For Hong Kong Public Offering shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Public Offering shares allotted to you with that CCASS participant.

- **If you apply as a CCASS investor participant**

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 22 May 2014 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 White Form eIPO service

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 Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road

HOW TO APPLY FOR HONG KONG OFFER SHARES

East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 22 May 2014, or such other date as notified by our Company in the newspapers as the date of despatch/collection of Share certificates/ e-Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) 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 Thursday, 22 May 2014 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-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.

(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 Thursday, 22 May 2014, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our 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 Offering in the manner specified in "Publication of Results" above on Thursday, 22 May 2014. You should check the announcement published by our Company and report any discrepancies to HKSCC before **5:00 p.m.** on Thursday, 22 May 2014 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.

HOW TO APPLY FOR HONG KONG OFFER SHARES

- 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 Thursday, 22 May 2014. 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 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 Thursday, 22 May 2014.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares 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 date of commencement of dealings in our 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 our Shares to be admitted into CCASS.



德勤·關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

13 May 2014

The Directors

Best Pacific International Holdings Limited

CCB International Capital Limited

Dear Sirs,

We set out below our report on the financial information (“Financial Information”) regarding Best Pacific International Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for each of the three years ended 31 December 2013 (the “Relevant Periods”) for inclusion in the prospectus of the Company dated 13 May 2014 (the “Prospectus”) issued in connection with the proposed listing of the shares of the Company (the “Listing”) on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company was incorporated in the Cayman Islands on 14 June 2013 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Through a group reorganisation as more fully explained in the section headed “History, Reorganisation and Corporate Structure — Reorganisation” in the Prospectus (the “Reorganisation”), the Company became the holding company of the Group on 16 January 2014.

As at the date of this report, the Company has the following subsidiaries:

Name of subsidiary	Country/ place and date of incorporation/ establishment	Country/ place of operation	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group as at				Principal activities
				31 December			Date of this report	
				2011	2012	2013		
				%	%	%	%	
Best Pacific Textile Holdings Limited (“BPT Holdings”) . .	British Virgin Islands (“BVI”) 11 September 2006	Hong Kong	United States Dollar (“USD”)10,000	100	100	100	100	Investment holding
Best Pacific Textile International Limited (“BPT International”)	BVI 22 September 2010	Hong Kong	USD100	85	85	85	100	Investment holding
Best Pacific Textile Limited (“BPT”) . . .	Hong Kong 13 March 2003	Hong Kong	USD10,000	85	85	85	100	Investment holding
Best Pacific Investment (Hong Kong) Limited (“BP Investment”)	Hong Kong 19 October 2010	Hong Kong	Hong Kong Dollar (“HK\$”)1	85	85	85	100	Investment holding

Name of subsidiary	Country/ place and date of incorporation/ establishment	Country/ place of operation	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group as at				Principal activities
				31 December			Date of this report	
				2011	2012	2013		
				%	%	%	%	
Best Pacific Textile (Hong Kong) Limited (“BPT(HK)”)	Hong Kong 19 October 2010	Hong Kong	HK\$1	85	85	85	100	Trading of elastic fabrics
Deluxe Royal Limited (“Deluxe Royal”) . . .	Hong Kong 24 March 2009	Hong Kong	HK\$10,000	100	100	—**	—	Inactive
New Horizon Investment (Hong Kong) Limited (“New Horizon Investment”)	Hong Kong 9 October 2006	Hong Kong	HK\$10,000	100	100	100	100	Investment holding
New Horizon Elastic Fabric (Hong Kong) Limited (“New Horizon Elastic”) . . .	Hong Kong 19 October 2010	Hong Kong	HK\$1	85	85	85	100	Trading of elastic webbing
Dongguan Best Pacific Textile Company Limited* 東莞超盈紡織有限公司 (“Dongguan BPT”)	People’s Republic of China (“PRC”) 24 February 2003	PRC	HK\$662,890,000 (note a)	85	85	85	100	Manufacture and trading of elastic fabrics and lace
Dongguan New Horizon Elastic Fabric Company Limited* 東莞潤信彈性織物有限公司 (“Dongguan NHE”)	PRC 18 May 2010	PRC	HK\$173,000,000 (note b)	100	100	100	100	Manufacture and trading of elastic webbing

* Established in the PRC in form of wholly foreign-owned enterprise.

** Deluxe Royal is disposed of on 12 December 2013. Details are disclosed in note 45.

Notes:

- (a) Pursuant to the approval issued by 東莞市對外貿易經濟合作局 (Dongguan Trade and Economic Council) dated 6 May 2010, the total registered capital of Dongguan BPT was increased from HK\$295,555,000 to HK\$662,890,000. The registered capital paid as at 31 December 2011, 2012, 2013 and the date of this report were HK\$465,261,681, HK\$640,065,121, HK\$662,890,000 and HK\$662,890,000, respectively.
- (b) Pursuant to the approval issued by 東莞市對外貿易經濟合作局 (Dongguan Trade and Economic Council) dated 28 April 2011, the total registered capital of Dongguan NHE was increased from HK\$5,000,000 to HK\$173,000,000. The registered capital paid as at 31 December 2011, 2012, 2013 and the date of this report were HK\$101,746,522, HK\$151,746,522, HK\$173,000,000 and HK\$173,000,000, respectively.

The financial year end date of the Company and its subsidiaries is 31 December.

We have acted as the statutory auditor of BP Investment, BPT, BPT(HK), New Horizon Investment and New Horizon Elastic for each of the three years ended 31 December 2013. The statutory financial statements of these companies for each of the two years ended 31 December 2012 and the statutory financial statements of BPT(HK) and New Horizon Elastic for each of the three years ended 31 December 2013 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The statutory financial statements of Deluxe Royal for each of the two years ended 31 December 2012 prepared in accordance with HKFRSs issued by the HKICPA, were audited by V. King & Co., Certified Public Accountants (Practising) Hong Kong, Certified Public Accountants registered in Hong Kong.

The statutory financial statements of Dongguan BPT and Dongguan NHE for each of the two years ended 31 December 2012 were prepared in accordance with relevant accounting principles and financial regulations applicable to enterprises established in the PRC. They were audited by 東莞市正域會計師事務所, Certified Public Accountants registered in the PRC.

The statutory financial statements of BP Investment, BPT, New Horizon Investment, Deluxe Royal, Dongguan BPT and Dongguan NHE for the year ended 31 December 2013 have not been issued as they are not yet due for issuance as at the date of this report.

No audited financial statements have been prepared for the Company, BPT Holdings and BPT International since their respective dates of incorporation as they were incorporated in jurisdictions where there are no statutory audit requirements.

We have, however, reviewed all relevant transactions of the Company, BPT Holdings and BPT International during the Relevant Periods and carried out such procedures as we considered necessary for inclusion of their financial information in the Prospectus.

For the purpose of this report, the directors of BPT Holdings and BPT International have prepared the consolidated financial statements of BPT Holdings and BPT International for the Relevant Periods in accordance with HKFRSs issued by the HKICPA, respectively (the "Audited Financial Statements"). We have undertaken independent audits on the Audited Financial Statements in accordance with the Hong Kong Standards on Auditing issued by the HKICPA. We have examined the Audited Financial Statements and management accounts of the Company prepared by the directors of the Company (collectively referred to as the "Underlying Financial Statements") in accordance with the Auditing Guideline 3.340 "Prospectus and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information for the Relevant Periods set out in this report has been prepared from the Underlying Financial Statements on the basis set out in note 2 of the Financial Information after making such adjustments as we consider appropriate for the purpose of preparing our report for inclusion in the Prospectus.

The Underlying Financial Statements are the responsibility of the directors of respective companies who approved their issue. The directors of the Company are responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation set out in note 2 below, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Group as at 31 December 2011, 2012 and 2013 and the Company as at 31 December 2013, and of the combined profits and cash flows of the Group for the Relevant Periods.

(A) FINANCIAL INFORMATION

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December		
		2011 HK\$'000	2012 HK\$'000	2013 HK\$'000
Revenue	8	1,397,104	1,403,326	1,659,447
Cost of sales		(949,496)	(954,233)	(1,136,990)
Gross profit		447,608	449,093	522,457
Other income	10	17,027	24,559	26,297
Other gains and losses	11	(14,031)	7,201	3,399
Selling and distribution expenses		(62,122)	(68,800)	(75,976)
Administrative expenses		(78,900)	(84,881)	(90,075)
Other expenses		(21,479)	(36,779)	(44,521)
Finance costs	12	(44,432)	(50,162)	(40,424)
Profit before taxation	15	243,671	240,231	301,157
Income tax expense	16	(37,796)	(42,180)	(56,652)
Profit for the year		205,875	198,051	244,505
Other comprehensive income (expense):				
Items that may be subsequently reclassified to profit or loss:				
Exchange differences arising on translation of foreign operations		35,926	8,978	21,262
Fair value (loss) gain on available-for-sale financial assets		(761)	371	(45)
Other comprehensive income for the year		35,165	9,349	21,217
Total comprehensive income for the year		241,040	207,400	265,722
Profit for the year attributable to				
— Owners of the Company		180,067	174,578	214,559
— Non-controlling interests		25,808	23,473	29,946
		205,875	198,051	244,505
Total comprehensive income attributable to				
— Owners of the Company		209,625	182,800	233,332
— Non-controlling interests		31,415	24,600	32,390
		241,040	207,400	265,722

STATEMENTS OF FINANCIAL POSITION

	Notes	The Group As at 31 December			The Company As at 31 December
		2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	2013 HK\$'000
Non-current assets					
Property, plant and equipment	19	757,647	889,690	1,032,684	—
Investment properties	20	63,704	65,920	72,152	—
Prepaid lease payments	21	45,317	44,660	44,439	—
Deposits	24	21,946	15,729	32,664	—
Available-for-sale financial assets	26	2,653	3,024	2,979	—
Derivative financial instruments	35	—	1,377	—	—
Deferred tax assets	36	2,009	2,223	886	—
		893,276	1,022,623	1,185,804	—
Current assets					
Inventories	22	231,418	230,631	317,873	—
Prepaid lease payments	21	988	995	1,013	—
Trade and bills receivables	23	393,473	382,553	453,500	—
Other receivables, deposits and prepayments	24	48,500	25,368	15,525	1,123
Held-for-trading investments	25	826	1,419	—	—
Amount due from a director	27	1,448	413	—	—
Amounts due from related companies	28	13,789	92,427	—	—
Tax recoverable		436	8,297	—	—
Derivative financial instruments	35	—	2,174	1,511	—
Pledged bank deposits	29	172,380	187,926	96,107	—
Bank balances and cash	29	125,181	147,686	97,536	8
		988,439	1,079,889	983,065	1,131
Current liabilities					
Trade payables	30	77,874	73,162	107,393	—
Bills payable	31	127,642	169,439	202,316	—
Other payables and accrued charges	32	82,256	104,685	131,078	—
Amounts due to directors	27	103,906	58,141	—	—
Amounts due to related companies	28	88,697	16,571	—	—
Amounts due to subsidiaries	28	—	—	—	7,577
Obligations under finance leases	34	120,908	127,526	37,164	—
Bank borrowings	33	732,793	845,088	345,660	—
Derivative financial instruments	35	814	—	—	—
Financial guarantee liability	44	24,844	37,051	11,623	—
Tax payable		32,454	13,555	17,660	—
		1,392,188	1,445,218	852,894	7,577
Net current (liabilities) asset		(403,749)	(365,329)	130,171	(6,446)
Total assets less current liabilities		489,527	657,294	1,315,975	(6,446)
Non-current liabilities					
Obligation under finance leases	34	44,366	25,304	22,599	—
Bank borrowings	33	19,814	16,203	451,562	—
Deferred income	10	6,672	7,872	9,615	—
		70,852	49,379	483,776	—
Net assets		418,675	607,915	832,199	—
Capital and reserves					
Capital	37	79	79	87	8
Reserves	48	360,581	527,373	725,476	(6,454)
Equity attributable to owners of the Company		360,660	527,452	725,563	(6,446)
Non-controlling interests		58,015	80,463	106,636	—
Total equity (Accumulated deficits)		418,675	607,915	832,199	(6,446)

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company							Non-controlling interests	Total equity
	Capital	Investment revaluation reserve	Special reserve	PRC statutory reserve	Translation reserve	Retained earnings	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Note (a))	(Note (b))					
At 1 January 2011	79	348	—	13,910	31,459	127,693	173,489	30,562	204,051
Profit for the year	—	—	—	—	—	180,067	180,067	25,808	205,875
Exchange difference arising on translation	—	—	—	—	30,205	—	30,205	5,721	35,926
Fair value loss on available-for-sale financial assets	—	(647)	—	—	—	—	(647)	(114)	(761)
Other comprehensive (expense) income for the year	—	(647)	—	—	30,205	—	29,558	5,607	35,165
Total comprehensive (expense) income for the year	—	(647)	—	—	30,205	180,067	209,625	31,415	241,040
Transfer from retained earnings to the PRC statutory reserve	—	—	—	7,541	—	(7,541)	—	—	—
Deemed distribution arising from issue of financial guarantee to related companies	—	—	(22,454)	—	—	—	(22,454)	(3,962)	(26,416)
At 31 December 2011	79	(299)	(22,454)	21,451	61,664	300,219	360,660	58,015	418,675
Profit for the year	—	—	—	—	—	174,578	174,578	23,473	198,051
Exchange difference arising on translation	—	—	—	—	7,907	—	7,907	1,071	8,978
Fair value gain on available-for-sale financial assets	—	315	—	—	—	—	315	56	371
Other comprehensive income for the year	—	315	—	—	7,907	—	8,222	1,127	9,349
Total comprehensive income for the year	—	315	—	—	7,907	174,578	182,800	24,600	207,400
Transfer from retained earnings to the PRC statutory reserve	—	—	—	11,321	—	(11,321)	—	—	—
Deemed distribution arising from issue of financial guarantee to related companies	—	—	(16,008)	—	—	—	(16,008)	(2,152)	(18,160)
At 31 December 2012	79	16	(38,462)	32,772	69,571	463,476	527,452	80,463	607,915

	Attributable to owners of the Company							Non-controlling interests	Total equity
	Capital	Investment revaluation reserve	Special reserve	PRC statutory reserve	Translation reserve	Retained earnings	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Note (a))	(Note (b))					
Profit for the year	—	—	—	—	—	214,559	214,559	29,946	244,505
Exchange difference arising on translation	—	—	—	—	18,811	—	18,811	2,451	21,262
Fair value loss on available-for-sale financial assets	—	(38)	—	—	—	—	(38)	(7)	(45)
Other comprehensive (expense) income for the year	—	(38)	—	—	18,811	—	18,773	2,444	21,217
Total comprehensive (expense) income for the year	—	(38)	—	—	18,811	214,559	233,332	32,390	265,722
Allotment of shares of the Company	8	—	—	—	—	—	8	—	8
Transfer from retained earnings to the PRC statutory reserve	—	—	—	15,226	—	(15,226)	—	—	—
Early termination of financial guarantee (note 44(i))	—	—	15,771	—	—	—	15,771	2,783	18,554
Dividends (note 17)	—	—	—	—	—	(51,000)	(51,000)	(9,000)	(60,000)
At 31 December 2013	<u>87</u>	<u>(22)</u>	<u>(22,691)</u>	<u>47,998</u>	<u>88,382</u>	<u>611,809</u>	<u>725,563</u>	<u>106,636</u>	<u>832,199</u>

Notes:

- (a) Several subsidiaries of the Group provide financial guarantees to its related companies, the fair value of the financial guarantees is recognised as deemed distribution to the shareholders at initial recognition. The details of the financial guarantees are set out in note 44.
- (b) The PRC statutory reserve is non-distributable and the transfer to this reserve is determined according to the relevant laws in the PRC and by the board of directors of the PRC subsidiaries in accordance with the Articles of Association of the subsidiaries. It can be used to make up for previous year's losses or convert into additional capital of the PRC subsidiaries of the Company.

COMBINED STATEMENTS OF CASH FLOWS

	Note	Year ended 31 December		
		2011	2012	2013
		HK\$'000	HK\$'000	HK\$'000
Operating activities				
Profit before taxation		243,671	240,231	301,157
Adjustments for:				
Interest income		(4,367)	(6,456)	(4,994)
Financial guarantee income		(1,572)	(5,953)	(6,874)
Finance costs		44,432	50,162	40,424
Allowance (reversal of allowance) for bad and doubtful debts, net		3,083	(1,066)	789
Allowance for obsolete inventories, net		6,402	7,412	6,342
Depreciation of property, plant and equipment		59,771	84,769	103,516
Change in fair value of held-for-trading investments		(4)	28	(56)
Change in fair value of derivative financial instruments		663	(7,261)	(3,970)
Change in fair value of investment properties		(3,911)	(1,728)	(5,019)
Gain on disposal of a subsidiary		—	—	(23)
Loss on disposal of property, plant and equipment		84	27	476
Amortisation of prepaid lease payments		958	988	1,013
Unrealised exchange losses arising on translation of current accounts within group entities		16,122	3,332	7,852
Operating cash flows before movements in working capital		365,332	364,485	440,633
Increase in inventories		(122,486)	(4,973)	(90,636)
(Increase) decrease in trade and bills receivables		(111,071)	13,382	(69,617)
(Increase) decrease in other receivables, deposits and prepayments		(20,807)	23,304	9,246
Decrease (increase) in held-for-trading investments		3,478	(621)	1,475
(Increase) decrease in amounts due from related companies		(43)	(718)	761
Increase (decrease) in trade payables		28,919	(5,091)	33,467
Increase in bills payable		58,378	40,479	31,013
(Decrease) increase in other payables and accrued charges		(7,563)	13,399	25,338
Decrease in amounts due to related companies		(30,856)	(8,447)	(343)
Proceeds from settlement of derivative financial instruments		151	2,896	6,010
Cash generated from operations		163,432	438,095	387,347
Income tax paid		(19,244)	(64,348)	(42,193)
PRC withholding tax		—	(5,000)	—
Net cash from operating activities		144,188	368,747	345,154
Investing activities				
Placement of pledged bank deposits		(496,540)	(358,129)	(182,428)
Withdrawal of pledged bank deposits		548,268	342,583	276,329
Interests received		4,367	6,456	4,994
Advance to a director		(7,000)	—	—
Repayment from a director		5,552	1,295	413
Addition of property, plant and equipment		(138,552)	(141,610)	(217,183)
Addition of investment properties		(59,671)	—	—
Government grants received		6,587	1,852	2,509
Proceeds from disposal of property, plant and equipment		—	76	2,064
Disposal of a subsidiary	45	—	—	10
Repayment from related companies		466,663	186,581	301,309
Advance to related companies		(409,563)	(263,840)	(209,643)
Net cash used in investing activities		(79,889)	(224,736)	(21,626)
Financing activities				
Interests paid		(47,557)	(55,343)	(46,773)
Dividends paid		—	—	(60,000)
Repayment to directors		(12,584)	(45,765)	(57,245)
New syndicated loans raised		—	—	435,000
Arrangement fee paid on syndicated loans		—	—	(11,157)
New bank borrowings (other than bills financing) raised		1,000,869	1,309,029	1,714,188
Repayment of bank borrowings (other than bills financing)		(756,903)	(1,126,725)	(2,155,553)
New bills financing raised		497,787	198,521	—
Repayment of bills financing		(663,371)	(276,137)	(55,970)
Advance from related companies		222,192	163,480	19,603
Repayment to related companies		(223,031)	(227,267)	(36,737)
Repayment of obligations under finance leases		(42,718)	(61,909)	(121,683)
Proceeds from allotment of shares of the Company		—	—	8
Net cash used in financing activities		(25,316)	(122,116)	(376,319)
Net increase (decrease) in cash and cash equivalents		38,983	21,895	(52,791)
Cash and cash equivalents at beginning of the year		83,686	125,181	147,686
Effect of foreign exchange rate changes		2,512	610	2,641
Cash and cash equivalents at end of the year, represented by bank balances and cash		125,181	147,686	97,536

NOTES TO FINANCIAL INFORMATION

1. GENERAL

The Company was incorporated as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 14 June 2013. Its immediate holding company is Grandview Capital Investment Limited (“Grandview”), which is incorporated in the BVI and is wholly owned by Mr. Lu Yuguang (“Mr. Lu”). The address of the Company’s registered office and the principal place of business is disclosed in the section headed “Corporate Information” to the Prospectus. The Company acts as investment holding company and its subsidiaries are principally engaged in manufacturing and trading of elastic fabrics and elastic webbing.

The functional currency of the Company is Hong Kong dollar (“HK\$”), which is the same as the presentation currency of the Financial Information.

2. BASIS OF PRESENTATION OF FINANCIAL INFORMATION

In the preparation for the listing of the Company’s shares on the Stock Exchange, the Company underwent the Reorganisation which included the following steps:

- (a) On 14 June 2013, the Company was incorporated in the Cayman Islands with limited liability. The initial authorised share capital of the Company was HK\$390,000 divided into 39,000,000 shares of HK\$0.01 each. Upon its incorporation, one subscriber share was allotted and issued, to the subscriber, which was transferred to Grandview on the same day. Also, on the same date, 331,499 shares, 39,000 shares and 19,500 shares were allotted and issued at par value to Grandview, Sunbrilliant Capital Investment Limited (“Sunbrilliant”), a limited liability company incorporated in the BVI and wholly-owned by Mr. Zhang Haitao (“Mr. Zhang”), and Lakefront Capital Investment Limited (“Lakefront”), a limited liability company incorporated in the BVI and wholly-owned by Mr. Wu Shaolun (“Mr. Wu”), respectively. On 12 December 2013, 331,500 shares, 39,000 shares and 19,500 shares were further allocated and issued at par value to Grandview, Sunbrilliant and Lakefront, respectively. Upon the completion of the aforesaid transfer and allotments, Grandview, Sunbrilliant and Lakefront owned 85%, 10% and 5% shares of the Company, respectively.
- (b) On 12 December 2013, BPT Holdings entered into a sale and purchase agreement with Mr. Lu Huigen, Mr. Lu’s elder brother, pursuant to which BPT Holdings agreed to transfer its entire interest in Deluxe Royal to Mr. Lu Huigen for a consideration of HK\$10,000. Upon completion of the transfer, Deluxe Royal ceased to be a subsidiary of the Group.
- (c) On 16 January 2014, Mr. Lu transferred 10,000 shares of BPT Holdings to Grandview in consideration of the allotment and issue of 10,000 shares at par value in Grandview to Mr. Lu, and on the same date, Grandview transferred its entire 85% interest in BPT International to BPT Holdings in consideration of the allotment and issue of 7,000 shares at par value in BPT Holdings to Grandview. Upon completion of the aforesaid transfers, BPT Holdings was wholly-owned by Grandview whereas BPT International was held as to 85% by BPT Holdings, 10% by Sunbrilliant and 5% by Lakefront.

- (d) On 16 January 2014, BPT Holdings entered into a sale and purchase agreement with each of Sunbrilliant and Lakefront, pursuant to which Sunbrilliant and Lakefront agreed to transfer their respective interests of 10% and 5% in BPT International to BPT Holdings, the consideration of which were settled by the allotment and issue of 2,000 shares and 1,000 shares at par value in BPT Holdings, to Sunbrilliant and Lakefront respectively, with reference to their respective shareholdings in BPT International. As Sunbrilliant and Lakefront had in effect obtained 10% and 5% beneficial interests in New Horizon Investment after the aforesaid transfers and allotments, an additional consideration of approximately HK\$ 40 million and HK\$ 20 million were paid by Sunbrilliant and Lakefront to Grandview, respectively, and such consideration was determined with reference to the fair value of the 15% equity interests in New Horizon Investment and its subsidiary as at 30 September 2013. Upon completion of the aforesaid transfers, BPT International was wholly-owned by BPT Holdings.
- (e) On 16 January 2014, the Company entered into a sale and purchase agreement with each of Grandview, Sunbrilliant and Lakefront, pursuant to which Grandview, Sunbrilliant and Lakefront agreed to transfer 85%, 10% and 5% of their respective interests in BPT Holdings to the Company, the consideration of which was settled by way of allotment and issue of 331,500, 39,000 and 19,500 Shares by the Company to Grandview, Sunbrilliant and Lakefront, respectively, with reference to their respective shareholdings in BPT Holdings. Upon completion of the aforesaid transfers, BPT Holdings was wholly-owned by the Company.

Pursuant to the Reorganisation detailed above, the Company became the holding company of the companies now comprising the Group on 16 January 2014. The Company and its subsidiaries have been under the common control of Mr. Lu throughout the Relevant Periods or since their respective date of incorporation or establishment, where there is a shorter period.

Accordingly, the Financial Information has been prepared under the principles of merger accounting in accordance with the Accounting Guideline 5 “Merger Accounting Under Common Control Combinations” issued by HKICPA. The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows for the Relevant Periods include the results, changes in equity and cash flows of the companies now comprising the Group as if the current group structure had been in existence throughout the Relevant Periods, or since their respective dates of incorporation or establishment, where there is a shorter period (except for the disposal of Deluxe Royal). The combined statements of financial position of the Group as at 31 December 2011, 2012 and 2013 have been prepared to present the assets and liabilities of the companies now comprising the Group, as if the current group structure has been in existence at those dates taking into account the respective dates of incorporation/establishment, where applicable (except for the disposal of Deluxe Royal).

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, the Group has consistently applied the relevant HKFRSs, Hong Kong Accounting Standards (“HKAS”), amendments to standards and interpretations which are effective for annual accounting period beginning on 1 January 2013 throughout the Relevant Periods.

New and revised HKFRSs issued but not yet effective

At the date of this report, the HKICPA has issued the following new standard, amendments to standards and interpretation (“new and revised HKFRSs”) which are not yet effective:

Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures ³
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities ¹
HKFRS 9	Financial instruments ³
HKFRS 14	Regulatory Deferral Accounts ⁵
Amendments to HKAS 19	Defined benefit plans: employees contributions ²
Amendments to HKAS 32	Offsetting financial assets and financial liabilities ¹
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets ¹
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle ⁴
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle ²
HK(IFRIC) — INT 21	Levies ¹

¹ Effective for accounting periods beginning on or after 1 January 2014.

² Effective for accounting periods beginning on or after 1 July 2014.

³ Available for application — the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.

⁴ Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

⁵ Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.

The Group has not early applied these new and revised HKFRSs that have been issued but are not yet effective in the preparation of the Financial Information.

HKFRS 9 Financial instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 “Financial instruments: Recognition and measurement” to be subsequently measured at

amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

Under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

Based on an analysis of the Group's financial assets and liabilities as at 31 December 2013, the management of the Group anticipates that the adoption of HKFRS 9 will not have any material impact on its financial assets and liabilities.

Other than as described above, the management of the Group anticipates that the application of the other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis, except for certain financial instruments and investment properties, which are measured at fair values, and in accordance with the following accounting policies which conform to HKFRSs issued by the HKICPA.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Financial Information is determined on such a basis, except for leasing transactions that within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The principal accounting policies adopted are set out below.

Basis of combination

The Financial Information incorporates the financial statements of the Company and entities controlled by the Company (its subsidiaries). The Company controls an investee if and only if the Company has all the following:

- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Combination of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Merger accounting for business combination involving entities under common control

The Financial Information incorporates the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The combined statements of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

Revenue recognition

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

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

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

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

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Government grants

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the combined statement of financial position and transferred to profit or loss over the useful lives of the related assets.

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

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair value using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

Property, plant and equipment

Property, plant and equipment, including buildings held for use in production or supply of goods or services, or for administrative purposes, are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes and is carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Construction in progress is classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

Asset held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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

Buildings under development for future owner-occupied purpose

Cost of buildings under development for future owner-occupied purpose includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policies. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

Impairment of non-financial assets

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately in profit or loss.

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

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the combined statements of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below).

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the combined statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purposes of presenting the Financial Information, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollar) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve) and attributed to non-controlling interests, as appropriate.

Retirement benefit costs

Payments to state-managed retirement benefit schemes and Mandatory Provident Fund Scheme ("MPF Scheme") are charged as an expense when employees have rendered service entitling them to the contributions.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before taxation" as reported in the combined statements of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

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

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

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

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment properties are measured in accordance with the above general principles set out in HKAS 12 "Income Taxes" (i.e. based on the expected manner as to how the properties will be recovered).

Current and deferred tax are recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Inventories

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

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash

flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss), as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the three categories, including held-for-trading investments, loans and receivables and available-for-sale financial assets. The Company's financial assets are mainly loans and receivable. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

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

Held-for-trading investments

A financial asset is classified as held-for-trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets classified as held-for-trading investments are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivable (including trade and bills receivables, other receivables and deposits, amounts due from a director and related companies, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses. The accounting policy on impairment loss of financial assets is set out below.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity instruments.

Changes in the carrying amount of available-for-sale monetary financial assets relating to interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

Impairment of financial assets

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

For an available-for-sales equity investment, a significant or prolonged decline in fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

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

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

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

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

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

When an available-for-sale financial asset is considered to be impaired, cumulative losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

Impairment losses on available-for-sale equity investments carried at fair value will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve.

Financial liabilities and equity instrument

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

Financial liabilities

Financial liabilities include trade payables, bills payable, other payables and accrued charges, amounts due to directors/related parties/subsidiaries and bank borrowings are subsequently measured at amortised cost using the effective interest method.

Equity instruments

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequently to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 "Provisions, contingent liabilities and contingent assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policy.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair values at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Derecognition

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

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

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

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the management of the Group are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimates, that the management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the Financial Information.

Deferred taxation on investment properties

For the purposes of measuring deferred taxation arising from investment properties that are measured using the fair value model, management of the Group has reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time and that the presumption set out in amendment to HKAS 12 is not rebutted. Therefore, in measuring the Group's deferred taxation on investment properties, management of the Group has determined that the carrying amounts of investment properties measured using the fair value model are presumed to be recovered through sale.

Key sources of estimation uncertainty

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key sources of estimation uncertainty at the end of the reporting period, that has a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

Allowances for inventories

Management of the Group reviews the inventory aging analysis at the end of the reporting period and identifies the slow-moving inventory items that are no longer suitable for use in production or sales. Management of the Group estimates the net realisable value for such inventories based primarily on the latest invoice prices, estimated costs of completion and

current market conditions. In addition, the Group carries out an inventory review on an item-by-item basis at the end of each reporting period and provides necessary allowance if the net realisable value is estimated to be below the cost.

Allowances of approximately HK\$6,402,000 and HK\$7,412,000 and HK\$6,342,000 were made for obsolete inventories during the Relevant Periods respectively. The carrying amounts of inventories are approximately HK\$231,418,000, HK\$230,631,000 and HK\$317,873,000 as at 31 December 2011, 2012 and 2013, respectively.

Allowances for bad and doubtful debts

The allowance for bad and doubtful debts of the Group is based on the evaluation of collectability and aging analysis of individual trade debts performed by the management. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

During the year ended 31 December 2011 and 2013, allowance for bad and doubtful debts of HK\$3,083,000 and HK\$789,000 was recognised respectively. During the year ended 31 December 2012, reversal of allowance for bad and doubtful debts of HK\$1,066,000 was recognised. The carrying amount of trade receivables are approximately HK\$383,343,000, HK\$379,861,000 and HK\$449,341,000 as at 31 December 2011, 2012 and 2013, respectively.

Useful life of property, plant and equipment

Property, plant and equipment are depreciated on a straight line basis over the estimated useful lives of the relevant assets, after taking into account their estimated residual values, if any. The Group reviews the estimated useful lives of the assets annually in order to determine the amount of depreciation expenses to be recorded during the year. The useful lives are based on the Group's historical experience with similar assets taking into account anticipated technological changes.

The depreciation expense for future periods is adjusted if there are significant changes from previous estimates. During the Relevant Periods, the Group determined that there is no change to the estimated useful lives of the property, plant and equipment. The carrying amounts of property, plant and equipment are approximately HK\$757,647,000, HK\$889,690,000 and HK\$1,032,684,000 as at 31 December 2011, 2012 and 2013, respectively.

Estimated of fair value of investment properties

Investment properties were revalued at the end of the reporting period by reference to the income approach taking into account the net rental income of the properties derived from the existing leases and achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalised to determine the market value at an appropriate capitalisation rate. The assumptions used are intended to reflect conditions existing at the end of the reporting period. Where there are any changes in the assumptions due to the market conditions in the PRC, the estimate of fair value of investment properties may be significantly affected. As at 31 December 2011, 2012 and 2013, the fair values of investment properties are approximately HK\$63,704,000, HK\$65,920,000 and HK\$72,152,000, respectively. Further information is set out in note 20.

6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. During the year ended 31 December 2011 and 2012, the capital structure of the Group consists of debts, which include the amounts due to directors and related companies and bank borrowings disclosed in notes 27, 28 and 33 respectively and equity attributable to owners of the Company, comprising capital disclosed in note 37 and reserves. During the year ended 31 December 2013, the management aimed to reduce the reliance on financing from related companies and directors and had repaid these balances prior to 31 December 2013. The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group will balance its overall capital structure through the payment of dividends, new shares issue as well as the issue of new debt or the redemption of existing debt.

7. FINANCIAL INSTRUMENTS

Categories of financial instruments

	THE GROUP			THE COMPANY
	As at 31 December			As at 31 December
	2011	2012	2013	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets				
Loans and receivables (including cash and cash equivalents)	725,528	831,989	661,613	8
Held-for-trading investments	826	1,419	—	—
Available-for-sale financial assets	2,653	3,024	2,979	—
Derivative financial instruments	—	3,551	1,511	—
Financial liabilities				
Financial liabilities measured at amortised cost	1,231,904	1,277,425	1,227,176	7,577
Derivative financial instruments	814	—	—	—
Obligations under finance leases	165,274	152,830	59,763	—
Financial guarantee liability	24,844	37,051	11,623	—

Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale financial assets, held-for-trading investments, trade and bills receivables, other receivables and deposits, amounts due from/to directors and related companies, pledged bank deposits, bank balances and cash, trade payables, bills payable, other payables and accrued charges, bank borrowings, obligations under finance leases and derivative financial instruments. The Company's financial instruments include bank balances and cash and amounts due to subsidiaries. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The Company's exposure to financial risk is insignificant.

Market risk**(i) Interest rate risk**

The Group is mainly exposed to cash flow interest rate risk in relation to variable-rate bank borrowings and bank balances, and fair value interest rate risk in relation to fixed-rate pledged bank deposits, bank borrowings and obligations under finance leases and non-interest bearing amounts due from/to directors and related parties.

The Group currently does not have interest rate hedging policy. However, management closely monitors its exposure to future cash flow interest rate risk as a result of change on market interest rate and will consider hedging changes in market interest rates should the need arise.

The Group's exposures to interest rate risk on financial liabilities are detailed in the liquidity risk section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offer Rate ("HIBOR") and benchmark borrowing rate (人民銀行貸款基準利率) quoted by People's Bank of China plus a spread arising from the Group's variable-rate bank borrowings.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rate risk on bank borrowings. The sensitivity analysis is prepared assuming the bank borrowings outstanding at the end of the reporting period were outstanding for the whole year. No sensitivity analysis is provided on bank balances as the management of the Group considers that the interest rate fluctuation on bank balances is minimal.

A 50 basis point increase or decrease is used during the Relevant Periods, which represents management's assessment of the reasonably possible change in interest rates. If the interest rate had been 50 basis point higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2011, 2012 and 2013 would decrease/increase by approximately HK\$531,000, HK\$947,000 and HK\$2,566,000 respectively after taking into account of interest capitalisation.

(ii) Currency risk

Certain trade receivables, trade payables, bank balances and cash and bank borrowings are denominated in foreign currencies other than the functional currency of the relevant group entities, which expose the Group to foreign currency risk. The Group does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of the reporting periods are as follows:

	Assets		
	As at 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Euro ("EUR") against HK\$	98	100	1,562
Renminbi ("RMB") against HK\$	14,625	310	7,473
USD against HK\$	167,278	153,958	163,130
HK\$ against RMB	1,716	37,501	6,890
USD against RMB	500	3	705
	Liabilities		
	As at 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
EUR against HK\$	4,043	366	7,907
USD against HK\$	131,639	173,823	130,056
HK\$ against RMB	70,742	109,722	111,734
USD against RMB	—	—	7,045

The carrying amounts of foreign currency denominated intra-group balances which have been eliminated in the Financial Information of certain subsidiaries of which the functional currency is RMB at the end of the reporting period are as follows:

	Amount due from group entities		
	As at 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
HK\$ against RMB	229,179	300,508	158,523

The Group also exposed to foreign currency risk through its investment in structured foreign currency forward contracts (note 35) linked with exchange rate between USD and RMB.

Sensitivity analysis

Since the exchange rate of HK\$ is pegged with USD, the Group does not expect any significant movements in the USD/HK\$ exchange rates. Therefore, the following sensitivity analysis does not include the effect between USD and HK\$.

The following table details the Group's sensitivity to a 10% increase and decrease in the functional currency of the respective group entity against relevant foreign currencies and all other variables were held constant. 10% is the sensitivity rate used by management in the assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currencies denominated monetary items and intragroup foreign currency balances and adjusts its translation at the period end for a 10% change in foreign currencies rates. A positive

number below indicates an increase in post-tax profit for the year where foreign currencies strengthen 10% against functional currency (HK\$ or RMB) of the respective group entity. For a 10% weakening of foreign currencies against functional currency (HK\$ or RMB) of the respective group entity there would be an equal and opposite impact on the result for the year.

	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000
Increase in post-tax profit for the year			
Foreign currencies against HK\$	892	4	94
Foreign currencies against RMB	13,631	18,968	3,458

The sensitivity analysis on structured foreign currency forward contracts is estimated by reference to a 10% increase or decrease in exchange rate between USD and RMB. The management of the Group considers that 10% is reasonable change in exchange rate between USD and RMB. The Group's post-tax profit would decrease/increase by approximately HK\$8,771,000/HK\$976,000, HK\$56,115,000/HK\$8,434,000 and HK\$7,333,000/HK\$1,512,000 respectively, where RMB is weaken/strengthen against USD during the year ended 31 December 2011, 2012 and 2013, respectively.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent currency risk as the exposure at the end of the reporting period does not reflect the exposure during the year.

(iii) Other price risk

The Group is exposed to equity price risk through its available-for-sale financial assets and held-for-trading investments. The management manages this exposure by reviewing the investments performance regularly.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the end of the reporting period. For sensitivity analysis purpose, the sensitivity rate is 10% during the Relevant Periods.

If the prices of the respective equity instruments had been 10% higher/lower and all other variables were held constant, the Group's:

- post-tax profit for the year ended 31 December 2011 and 2012 would increase/decrease approximately by HK\$69,000 and HK\$118,000 respectively as a result of the changes in fair value of held-for-trading investments; and
- investment revaluation reserve would increase/decrease approximately by HK\$265,000, HK\$302,000 and HK\$298,000 respectively for the year ended 31 December 2011, 2012 and 2013 as a result of the changes in fair value of available-for-sale financial assets.

Credit risk

As at 31 December 2011, 2012 and 2013, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge obligations by the

counterparties as at the end of reporting period are arising from the carrying amount of the respective recognised financial assets as stated in the combined statements of financial position and the amount of contingent liabilities relating to financial guarantees disclosed in note 44. As of 31 December 2013, the Company's exposure to credit risk is insignificant.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. The Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses or allowances are made for irrecoverable amounts.

As at 31 December 2011 and 2012, the Group has concentration of credit risk in respect of amounts due from related companies. In order to minimize the credit risk on amounts due from related companies, the Group's management continuously monitors the credit quality and financial conditions of the related companies and the level of exposure to ensure that follow-up action is taken to recover overdue debts. The Group's related companies mainly represented entities controlled by Mr. Lu or family members of Mr. Lu. Under such circumstances, the Group's management considers that the Group's credit risk is not material. During the year ended 31 December 2013, these amounts due from related companies have been fully settled.

For the financial guarantees, those guarantees are provided to related companies and the management of the Group continuously monitors the credit quality and financial conditions of the guaranteed parties that the Group issued financial guarantee contracts in favour of to ensure that the Group will not suffer significant credit losses as a result of the failure of the guaranteed parties on the repayment of the relevant loans. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

The credit risk for pledged bank deposits and bank balances is considered as not material as such amounts are placed in banks with high credit ratings assigned by international credit-rating agencies or state-owned.

Other than concentration of credit risk on liquid funds which are deposited with several reputable banks, the Group had concentration of credit risk on trade receivables as 12%, 13% and 14% of the total trade receivables were due from the Group's largest customer based in Hong Kong and 36%, 31% and 28% of the total trade receivables were due from the Group's largest five customers, which are mainly based in the PRC and Hong Kong, as at 31 December 2011, 2012 and 2013, respectively.

Liquidity risk

In the management of liquidity risk, the Group and the Company monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance the operations and mitigate the effects of fluctuations in cash flows. The Group relies on bank borrowings as a significant source of liquidity. The management monitors the utilisation of borrowings and ensures compliance with loan covenants. The Company relies on financing provided by its subsidiaries.

The following tables detail the Group's and the Company's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. Specifically, bank borrowings and obligations under finance leases with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks or financial institutions choosing to exercise their rights. The table includes both interest and principal cash flows.

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted gross inflows and outflows on those derivatives that require gross settlement.

The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

To the extent that interest flows are floating rate, the undiscounted amount is derived from the interest rate or interest rate curve at the end of the reporting period.

Liquidity tables

	Weighted average effective interest rate	Repayable on demand or within 3 months	Between 3 months to 1 year	Between 1 to 5 years	Total undiscounted cash flows	Carrying amount at the end of the reporting date
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE GROUP						
<u>At 31 December 2011</u>						
Non-derivative financial liabilities						
Trade payables	—	77,874	—	—	77,874	77,874
Bills payable	—	127,642	—	—	127,642	127,642
Other payables and accrued charges ..	—	81,178	—	—	81,178	81,178
Amounts due to related companies ...	—	88,697	—	—	88,697	88,697
Amounts due to directors	—	103,906	—	—	103,906	103,906
Bank borrowings	5.25	345,539	399,917	22,997	768,453	752,607
Obligations under finance leases	3.42	106,969	16,011	46,423	169,403	165,274
Financial guarantee liability	—	375,820	—	—	375,820	24,844
		<u>1,307,625</u>	<u>415,928</u>	<u>69,420</u>	<u>1,792,973</u>	<u>1,422,022</u>
Derivative — gross settlement						
Structured foreign currency forward						
— inflow	—	12,033	12,174	140	24,347	
— outflow	—	(11,700)	(11,563)	—	(23,263)	
		<u>333</u>	<u>611</u>	<u>140</u>	<u>1,084</u>	<u>814</u>
<u>At 31 December 2012</u>						
Non-derivative financial liabilities						
Trade payables	—	73,162	—	—	73,162	73,162
Bills payable	—	169,439	—	—	169,439	169,439
Other payables and accrued charges ..	—	98,821	—	—	98,821	98,821
Amounts due to related companies ...	—	16,571	—	—	16,571	16,571
Amounts due to directors	—	58,141	—	—	58,141	58,141
Bank borrowings	5.36	361,962	498,128	18,130	878,220	861,291
Obligations under finance leases	3.93	113,564	15,300	26,069	154,933	152,830
Financial guarantee liability	—	304,637	—	—	304,637	37,051
		<u>1,196,297</u>	<u>513,428</u>	<u>44,199</u>	<u>1,753,924</u>	<u>1,467,306</u>
<u>At 31 December 2013</u>						
Non-derivative financial liabilities						
Trade payables	—	80,987	26,406	—	107,393	107,393
Bills payable	—	163,242	39,074	—	202,316	202,316
Other payables and accrued charges ..	—	120,245	—	—	120,245	120,245
Bank borrowings	4.26	296,447	73,526	529,127	899,100	797,222
Obligations under finance leases	3.56	19,740	18,752	23,354	61,846	59,763
Financial guarantee liability	—	202,253	—	—	202,253	11,623
		<u>882,914</u>	<u>157,758</u>	<u>552,481</u>	<u>1,593,153</u>	<u>1,298,562</u>
THE COMPANY						
<u>At 31 December 2013</u>						
Non-derivative financial liabilities						
Amounts due to subsidiaries	—	<u>7,577</u>	<u>—</u>	<u>—</u>	<u>7,577</u>	<u>7,577</u>

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

The amounts included above for financial guarantee liability are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on the expectations at the end of the reporting period, management considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantees which is a function of the likelihood that the financial receivables held by the counterparty which guaranteed suffer credit losses. Details of the financial guarantees are set out in note 44.

As at 31 December 2011, 2012 and 2013, the aggregate undiscounted principal amount of bank borrowings with repayment on demand clause amounting to HK\$16,430,000, HK\$63,430,000 and HK\$49,374,000 respectively and obligations under finance leases with repayment on demand clause amounting to HK\$101,444,000, HK\$108,462,000 and HK\$13,064,000, respectively, are included in "Repayment on demand or within 3 months" time band in the above maturity analysis. Taking into account the Group's financial position, the management of the Group does not believe that it is probable that the banks or financial institutions will exercise their discretionary rights to demand immediate repayment. Other than the early settlement of certain finance leases during the year ended 31 December 2013, the management of the Group believes that such bank borrowings and other obligations under finance leases will be paid in accordance with the scheduled repayment date set out in the loan agreements.

For the purpose of managing liquidity risk, the management reviews the expected cash flow information of the Group's bank borrowings and obligations under finance leases based on the scheduled repayment dates set out in the agreement as set out in the table below:

	Weighted average interest rate	Within 3 months	3 months to 1 year	1 year to 5 years	Total undiscounted cash flows	Carrying amount at the end of the reporting period
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<u>Bank borrowings</u>						
As at 31 December 2011	3.52	3,950	4,311	8,953	17,214	16,430
As at 31 December 2012	2.86	9,057	15,174	43,200	67,431	63,430
As at 31 December 2013	3.55	<u>8,007</u>	<u>21,957</u>	<u>22,042</u>	<u>52,006</u>	<u>49,706</u>
<u>Obligations under finance leases</u>						
As at 31 December 2011	4.99	10,621	28,688	70,305	109,614	101,444
As at 31 December 2012	5.08	12,886	36,809	66,505	116,200	108,462
As at 31 December 2013	4.56	<u>2,981</u>	<u>5,768</u>	<u>4,843</u>	<u>13,592</u>	<u>13,064</u>

Fair value measurement

Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into

which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 inputs are quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for assets and liabilities.

	Fair value as at 31 December			Fair value hierarchy	Valuation techniques and key inputs
	2011	2012	2013		
1) Held-for-trading investments	Unlisted investment fund in the PRC — HK\$826,000	Unlisted investment fund in the PRC — HK\$1,419,000	—	Level 2	Based on the fair value of underlying assets and liabilities which are substantially derived from level 1 inputs
2) Available-for-sale financial assets	Unit trust — HK\$2,653,000	Unit trust — HK\$3,024,000	Unit trust — HK\$2,979,000	Level 2	Based on the fair value of underlying assets and liabilities which are substantially derived from level 1 inputs
3) Structured foreign currency forward contracts (see note 35)	Liabilities — HK\$814,000	Assets — HK\$3,551,000	Assets — HK\$1,511,000	Level 2	Discounted cash flows Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

There is no transfer between Level 1 and Level 2 during the Relevant Periods.

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

The management of the Group estimates the fair value of its financial assets and financial liabilities measured at amortised cost using the discounted cash flows analysis.

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate their fair values.

Valuation process

The finance manager of the Group is responsible to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Group uses market-observable data or information provided by counterparty financial institutions to the extent it is available. Where Level 1 inputs are not available or counterparty financial institutions cannot provide sufficient information in relation to fair value, the management of the Group will engage third party qualified valuers to perform the valuation. The finance manager reports to management of the Group semi-annually to explain the cause of fluctuations in the fair value of the assets.

Information about the valuation techniques and inputs used in determining the fair value of various financial instruments are disclosed above.

8. REVENUE

The Group's revenue is derived from manufacturing and trading of elastic fabrics and elastic webbing in Hong Kong and the PRC during the Relevant Periods, net of discounts and sales related taxes.

9. SEGMENT INFORMATION

The financial information reported to Mr. Lu, Mr. Zhang and Mr. Wu (directors of the Company), being the chief operating decision markers, for the purpose of assessment of segment performance and resources allocation focuses on types of goods delivered.

The Group's operating and reportable segments under HKFRS 8 are as follows:

- Manufacturing and trading of elastic fabrics

This segment derives its revenue from manufacturing and trading of elastic fabrics made from synthetic fibres that are commonly used in high-end warp knitted lingerie products.

- Manufacturing and trading of elastic webbing

This segment derives its revenue from manufacturing and trading of elastic webbing made from synthetic fibres that are commonly used as shoulder straps, lingerie trims and waistbands.

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating and reportable segments:

For the year ended 31 December 2011

	Manufacturing and trading of elastic fabrics	Manufacturing and trading of elastic webbing	Combined
	HK\$'000	HK\$'000	HK\$'000
Segment revenue from external customers	938,119	458,985	1,397,104
Segment profits	223,247	84,939	308,186
Unallocated other income			8,714
Unallocated other gains and losses			(10,864)
Unallocated corporate expenses			(17,933)
Finance costs			(44,432)
Profit before taxation			243,671

For the year ended 31 December 2012

	Manufacturing and trading of elastic fabrics	Manufacturing and trading of elastic webbing	Combined
	HK\$'000	HK\$'000	HK\$'000
Segment revenue from external customers	929,620	473,706	1,403,326
Segment profits	171,556	113,741	285,297
Unallocated other income			17,531
Unallocated other gains and losses			6,162
Unallocated corporate expenses			(18,597)
Finance costs			(50,162)
Profit before taxation			240,231

For the year ended 31 December 2013

	Manufacturing and trading of elastic fabrics	Manufacturing and trading of elastic webbing	Combined
	HK\$'000	HK\$'000	HK\$'000
Segment revenue from external customers	1,095,936	563,511	1,659,447
Segment profits	219,105	125,340	344,445
Unallocated other income			12,862
Unallocated other gains and losses			4,664
Unallocated corporate expenses			(20,390)
Finance costs			(40,424)
Profit before taxation			301,157

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies described in note 4. Segment profit represents the results of each segment without allocation of corporate items including mainly bank interest income, rental income, financial guarantee income, gain on disposal of a subsidiary, change in fair value of derivative financial instruments, change in fair value of held-for-trading investments, change in fair value of investment properties, net foreign exchange gain/loss, corporate expenses and finance costs. Corporate expenses include directors' remuneration paid or payable by the Group, listing expenses and certain administrative expenses for corporate function. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating and reportable segment:

As at 31 December 2011

	Manufacturing and trading of elastic fabrics	Manufacturing and trading of elastic webbing	Combined
	HK\$'000	HK\$'000	HK\$'000
ASSETS			
Segment assets	1,116,336	374,440	1,490,776
Property, plant and equipment			2,001
Investment properties			63,704
Deferred tax assets			2,009
Available-for-sale financial assets			2,653
Held-for-trading investments			826
Other receivables, deposits and prepayments			6,555
Amount due from a director			1,448
Amounts due from related companies			13,746
Tax recoverable			436
Pledged bank deposits			172,380
Bank balances and cash			125,181
Combined total assets			1,881,715
	Manufacturing and trading of elastic fabrics	Manufacturing and trading of elastic webbing	Combined
	HK\$'000	HK\$'000	HK\$'000
LIABILITIES			
Segment liabilities	213,135	88,115	301,250
Other payables and accrued charges			1,984
Amounts due to directors			103,906
Amounts due to related companies			79,907
Derivative financial instruments			814
Obligations under finance leases			165,274
Bank borrowings			752,607
Tax payable			32,454
Financial guarantee liability			24,844
Combined total liabilities			1,463,040

As at 31 December 2012

	Manufacturing and trading of elastic fabrics <u>HK\$'000</u>	Manufacturing and trading of elastic webbing <u>HK\$'000</u>	Combined <u>HK\$'000</u>
ASSETS			
Segment assets	<u>1,213,198</u>	<u>369,642</u>	1,582,840
Property, plant and equipment			1,080
Investment properties			65,920
Deferred tax assets			2,223
Available-for-sale financial assets			3,024
Held-for-trading investments			1,419
Other receivables, deposits and prepayments			6,467
Amount due from a director			413
Amounts due from related companies			91,666
Tax recoverable			8,297
Derivative financial instruments			3,551
Pledged bank deposits			187,926
Bank balances and cash			147,686
Combined total assets			<u>2,102,512</u>
LIABILITIES			
Segment liabilities	<u>264,127</u>	<u>91,175</u>	355,302
Other payables and accrued charges			199
Amounts due to directors			58,141
Amounts due to related companies			16,228
Obligations under finance leases			152,830
Bank borrowings			861,291
Tax payable			13,555
Financial guarantee liability			37,051
Combined total liabilities			<u>1,494,597</u>

As at 31 December 2013

	Manufacturing and trading of elastic fabrics <u>HK\$'000</u>	Manufacturing and trading of elastic webbing <u>HK\$'000</u>	Combined <u>HK\$'000</u>
ASSETS			
Segment assets	<u>1,474,081</u>	<u>414,407</u>	1,888,488
Property, plant and equipment			2,591
Investment properties			72,152
Deferred tax assets			886
Available-for-sale financial assets			2,979
Other receivables, deposits and prepayments			6,619
Derivative financial instruments			1,511
Pledged bank deposits			96,107
Bank balances and cash			<u>97,536</u>
Combined total assets			<u>2,168,869</u>
LIABILITIES			
Segment liabilities	<u>312,367</u>	<u>137,596</u>	449,963
Other payables and accrued charges			439
Obligations under finance leases			59,763
Bank borrowings			797,222
Tax payable			17,660
Financial guarantee liability			<u>11,623</u>
Combined total liabilities			<u>1,336,670</u>

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating and reportable segments, other than investment properties, available-for-sale financial assets, deferred tax assets, held-for-trading investments, amount due from a director and related companies (non-trade balances), tax recoverable, derivative financial instruments, pledged bank deposits and bank balances and cash and certain corporate assets.
- all liabilities are allocated to operating and reportable segments, other than amounts due to directors and related companies (non-trade balances), derivative financial instruments, obligations under finance leases, bank borrowings, tax payable, financial guarantee liability and certain corporate liabilities.

Other segment information*For the year ended 31 December 2011*

	Manufacturing and trading of elastic fabrics	Manufacturing and trading of elastic webbing	Unallocated	Combined
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts included in the measure of segment profit or segment assets:				
Additions of property, plant and equipment	190,598	146,989	101	337,688
Depreciation of property, plant and equipment . . .	52,037	6,700	1,034	59,771
Amortisation of prepaid lease payments	958	—	—	958
Loss on disposal of property, plant and equipment	84	—	—	84
Allowance for obsolete inventories	6,402	—	—	6,402
Allowance for bad and doubtful debts	2,760	323	—	3,083

For the year ended 31 December 2012

	Manufacturing and trading of elastic fabrics	Manufacturing and trading of elastic webbing	Unallocated	Combined
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts included in the measure of segment profit or segment assets:				
Addition of property, plant and equipment	189,364	20,886	178	210,428
Depreciation of property, plant and equipment . . .	67,596	16,074	1,099	84,769
Amortisation of prepaid lease payments	988	—	—	988
Loss on disposal of property, plant and equipment	27	—	—	27
Allowance for obsolete inventories	6,115	1,297	—	7,412
Reversal of allowance for bad and doubtful debts	(1,066)	—	—	(1,066)

For the year ended 31 December 2013

	Manufacturing and trading of elastic fabrics	Manufacturing and trading of elastic webbing	Unallocated	Combined
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts included in the measure of segment profit or segment assets:				
Addition of property, plant and equipment	207,233	25,505	2,085	234,823
Depreciation of property, plant and equipment . . .	84,358	18,735	423	103,516
Amortisation of prepaid lease payments	1,013	—	—	1,013
Loss on disposal of property, plant and equipment	476	—	—	476
Allowance for (reversal of allowance for) obsolete inventories	6,915	(573)	—	6,342
(Reversal of) allowance for bad and doubtful debts	(522)	1,311	—	789

Other than the segment information disclosed above, there was no other information reviewed by the chief operating decision makers for the Relevant Periods.

Geographical information

The Group's operations are located in the PRC and Hong Kong. The Group's revenue from external customers based on the location of the customers are detailed below:

	Year ended 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
The PRC	486,868	489,242	547,346
Hong Kong	588,499	554,772	678,308
Sri Lanka	124,544	131,709	178,526
Indonesia	47,425	41,939	52,676
Thailand	35,778	34,972	37,150
Vietnam	21,522	29,472	24,457
Others	92,468	121,220	140,984
	<u>1,397,104</u>	<u>1,403,326</u>	<u>1,659,447</u>

Non-current assets (excluding financial assets and deferred tax assets) by geographical location of assets are detailed below:

	As at 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
The PRC	864,573	999,045	1,172,166
Hong Kong	2,095	1,225	2,749
	<u>866,668</u>	<u>1,000,270</u>	<u>1,174,915</u>

Information about major customers

Revenues from customer contributing over 10% of the total revenue of the Group during the Relevant Periods are as follows:

	Year ended 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Customer A			
— Revenue from manufacturing and trading of elastic fabrics	156,113	131,013	181,270
— Revenue from manufacturing and trading of elastic webbing	22,002	27,791	49,471
	<u>178,115</u>	<u>158,804</u>	<u>230,741</u>

10. OTHER INCOME

	Year ended 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Bank interest income	4,367	5,561	4,994
Interest income from a related company	—	895	—
Net proceeds from sales of scrap material income	4,009	5,206	6,526
Financial guarantee income (note 44)	1,572	5,953	6,874
Rental income	45	153	311
Government grants (Note)	4,304	1,822	6,909
Others	2,730	4,969	683
	<u>17,027</u>	<u>24,559</u>	<u>26,297</u>

Note: The amount includes HK\$4,189,000, HK\$1,112,000 HK\$5,989,000 unconditional government grants received during the year ended 31 December 2011, 2012 and 2013, respectively, which was granted to encourage the Group's research and development activities in the PRC.

During the year ended 31 December 2011, 2012 and 2013, the Group also received government grants of HK\$6,587,000 and HK\$1,852,000 and HK\$2,509,000, respectively, in relation to purchase of equipments. The amount received is deferred and is released to other income over the useful lives of the related equipment during the Relevant Periods. Amounts of HK\$115,000, HK\$710,000 and HK\$920,000 were recognised in the profit or loss during the year ended 31 December 2011, 2012 and 2013 respectively. As at 31 December 2011, 2012 and 2013, amounts of HK\$6,672,000, HK\$7,872,000 and HK\$9,615,000 remained to be released and are included in deferred income in the combined statements of financial position, respectively.

11. OTHER GAINS AND LOSSES

	Year ended 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Loss on disposal of property, plant and equipment	(84)	(27)	(476)
Gain on disposal of a subsidiary (note 45)	—	—	23
(Allowance for) reversal of allowance for bad and doubtful debts, net	(3,083)	1,066	(789)
Change in fair value of derivative financial instruments	(663)	7,261	3,970
Change in fair value of held-for-trading investments	4	(28)	56
Change in fair value of investment properties	3,911	1,728	5,019
Foreign exchange loss	(16,210)	(3,882)	(11,231)
Foreign exchange gain	2,094	1,083	6,827
	<u>(14,031)</u>	<u>7,201</u>	<u>3,399</u>

12. FINANCE COSTS

	Year ended 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Interests on:			
Bank borrowings wholly repayable within five years	22,020	40,990	41,115
Bills financing	20,653	6,580	—
Finance leases	4,884	7,773	5,658
	47,557	55,343	46,773
Less: Amount capitalised	(3,125)	(5,181)	(6,349)
	<u>44,432</u>	<u>50,162</u>	<u>40,424</u>

During the year ended 31 December 2011, 2012 and 2013, borrowing costs capitalised arose on the general borrowing pool are calculated by applying a capitalisation rate of 5.12%, 6.18% and 7.23% per annum to expenditure on qualifying assets respectively.

13. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

The remuneration paid or payable to the directors and chief executive of the Company was as follows:

	Mr. Lu	Mr. Zhang	Mr. Wu	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<u>For the year ended 31 December 2011</u>				
Fee	—	—	—	—
Salaries and allowances	2,029	2,167	1,827	6,023
Performance related incentive payments	1,633	1,817	1,221	4,671
Contributions to retirement benefits scheme	4	12	2	18
Total remuneration	<u>3,666</u>	<u>3,996</u>	<u>3,050</u>	<u>10,712</u>
<u>For the year ended 31 December 2012</u>				
Fee	—	—	—	—
Salaries and allowances	1,380	2,300	1,962	5,642
Performance related incentive payments	1,195	1,383	1,043	3,621
Contributions to retirement benefits scheme	15	14	6	35
Total remuneration	<u>2,590</u>	<u>3,697</u>	<u>3,011</u>	<u>9,298</u>
<u>For the year ended 31 December 2013</u>				
Fee	—	—	—	—
Salaries and allowances	1,578	2,629	2,220	6,427
Performance related incentive payments	1,000	1,000	800	2,800
Contributions to retirement benefits scheme	20	15	20	55
Total remuneration	<u>2,598</u>	<u>3,644</u>	<u>3,040</u>	<u>9,282</u>

The performance related incentive payments to Mr. Lu, Mr. Zhang and Mr. Wu are determined by reference to the Group's performance and approved by the board of directors of respective group entities. Mr. Zhang is the Chief Executive Officer of the Company.

During the Relevant Periods, no remuneration was paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company has waived any remuneration during the Relevant Periods.

Mr. Lu, Mr. Zhang and Mr. Wu were appointed as the directors of the Company on 14 June 2013.

14. EMPLOYEES' REMUNERATION

During the Relevant Periods, the five individuals with the highest emoluments in the Group include three directors of the Company. The emoluments of the remaining two individuals for the Relevant Periods, which was individually less than HK\$1,000,000, is as follows:

	Year ended 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Salaries and allowances	1,191	1,257	1,754
Contributions to retirement benefits scheme	14	14	17
	<u>1,205</u>	<u>1,271</u>	<u>1,771</u>

During the Relevant Periods, no emoluments were paid by the Group to the five highest paid individual as an inducement to join or upon joining the Group or as compensation for loss of office.

15. PROFIT BEFORE TAXATION

	Year ended 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Profit before taxation has been arrived at after charging (crediting):			
Auditor's remuneration	1,100	900	900
Staff costs			
Directors' remuneration (note 13)	10,712	9,298	9,282
Other staff costs			
— salaries	169,935	204,449	261,323
— contributions to retirement benefits schemes	8,915	10,784	14,113
	189,562	224,531	284,718
Depreciation of property, plant and equipment	59,771	84,769	103,516
Amortisation of prepaid lease payments	958	988	1,013
Operating lease rentals in respect of:			
— rented premises	9,676	11,265	12,017
— machineries	4,500	3,000	—
Cost of inventories recognised as an expense	949,496	954,233	1,136,990
Including: allowance for obsolete inventories, net	6,402	7,412	6,342
Gross rental income from investment properties	(45)	(153)	(311)
Less: Direct operating expenses that generated rental income	5	18	32
Direct operating expenses that did not generate rental income	76	496	631
	36	361	352
Research and development costs recognised as an expense (included in other expenses)	21,479	36,285	38,098
Listing expenses (included in other expenses)	—	494	6,423

16. INCOME TAX EXPENSE

	Year ended 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Current tax:			
Hong Kong Profits Tax	20,314	13,442	17,159
PRC Enterprise Income Tax ("EIT")	19,431	23,930	35,927
PRC withholding tax	—	5,000	—
Under-provision in prior years:			
PRC EIT	—	—	2,229
	39,745	42,372	55,315
Deferred taxation (Note 36)	(1,949)	(192)	1,337
	<u>37,796</u>	<u>42,180</u>	<u>56,652</u>

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for the Relevant Periods.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards. According to the Circular of the State Council on the Implementation of Transitional Preferential Policies for Enterprise Income Tax (Guofa (2007) No. 39), the tax concession of Dongguan BPT (as set out below) is still applicable under the EIT Law.

Pursuant to the relevant laws and regulations in the PRC, Dongguan BPT is entitled to an exemption from PRC Enterprise Income Tax for the two years starting from their first profit-making year, followed by a 50% tax relief for the next three years. The tax charge provided has taken into account these tax incentives. Dongguan BPT commenced its first profit making year for the calendar year ended 31 December 2008 and accordingly, Dongguan BPT was exempted from PRC Enterprise Income Tax for the calendar years ended 31 December 2008 and 2009, the applicable tax rate for the calendar years ended 31 December 2010, 2011 and 2012 was 12.5%. Dongguan BPT obtained the qualification as a high and new technology enterprise, which is valid for three years since financial year 2011, and renewed the qualification as a high and new technology enterprise and is valid for an additional three years from financial year 2014. Hence, Dongguan BPT is subject to the preferential tax treatment and the applicable tax rate for year ended 31 December 2013 is 15%.

Under the EIT Law, PRC withholding income tax is applicable to dividends payable to investors that are "non-PRC tax resident enterprises", which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends have their sources within the PRC. Under such circumstances, dividends distributed from a PRC subsidiary to non-PRC tax resident group entity in Hong Kong in respect of profits generated after 1 January 2008 shall be subject to the withholding tax at 10%, unless the Hong Kong company can be approved to enjoy a reduced rate of 5% pursuant to the Arrangement between the Mainland of 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.

The taxation for the Relevant Periods can be reconciled to the profit before taxation per the combined statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Profit before taxation	243,671	240,231	301,157
Taxation at Hong Kong Profit Tax rate of 16.5%	40,206	39,638	49,691
Tax effect of expenses not deductible for tax purpose	1,135	1,185	1,946
Tax effect of income not taxable for tax purpose	(1,025)	(1,855)	(1,351)
Tax effect of estimated tax losses not recognised	257	—	130
Tax effect of utilisation of tax losses not recognised	—	(111)	(91)
Under-provision in the prior years	—	—	2,229
Effect of different tax rate of subsidiaries operating in other jurisdiction	7,971	11,051	16,304
Effect of tax concession in the PRC	(10,748)	(12,728)	(12,206)
Withholding tax levied on intragroup dividends (note)	—	5,000	—
Taxation	37,796	42,180	56,652

Note: During the year ended 31 December 2012, Dongguan BPT declared and paid dividends amounting to HK\$100,000,000 to BPT (HK), the immediate holding company of Dongguan BPT, and the Group paid HK\$5,000,000 PRC withholding tax. Such dividend distribution is for the purpose of reinvestment to Dongguan BPT by BPT (HK) as registered capital of Dongguan BPT.

17. DIVIDENDS

During the year ended 31 December 2013, BPT, a non-wholly owned subsidiary, declared and paid dividends of HK\$9,000,000 to non-controlling shareholders and HK\$51,000,000 to its immediate holding company, BPT Holdings. Also, BPT Holdings declared and paid dividends of HK\$51,000,000 to its owner. Other than disclosed above, no dividend was paid or declared by any group entities to external parties during the Relevant Periods.

18. EARNINGS PER SHARE

No earnings per share information is presented for the purpose of this report as its inclusion is not considered meaningful having regard to the Reorganisation of the Group and the result of the Group for the Relevant Periods that is prepared on a combined basis as set out in note 2.

19. PROPERTY, PLANT AND EQUIPMENT

	<u>Buildings</u>	<u>Computer and office equipment</u>	<u>Motor vehicles</u>	<u>Machinery</u>	<u>Construction in progress</u>	<u>Total</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
COST						
At 1 January 2011	110,678	12,221	18,150	386,262	60,964	588,275
Exchange adjustments	9,204	865	1,008	31,653	5,271	48,001
Additions	—	4,959	6,598	256,908	69,223	337,688
Transfer upon completion	18,963	—	—	—	(18,963)	—
Written-off	—	(20)	(4)	(202)	—	(226)
At 31 December 2011	138,845	18,025	25,752	674,621	116,495	973,738
Exchange adjustments	2,166	155	187	5,835	352	8,695
Additions	—	3,749	4,525	111,638	90,516	210,428
Transfer upon completion	157,017	—	—	—	(157,017)	—
Disposals	—	(139)	(14)	(147)	—	(300)
At 31 December 2012	298,028	21,790	30,450	791,947	50,346	1,192,561
Exchange adjustments	3,170	372	447	13,710	842	18,541
Additions	—	2,219	10,781	137,075	84,748	234,823
Transfer upon completion	25,180	—	—	—	(25,180)	—
Disposals	—	(407)	(1,551)	(4,115)	—	(6,073)
At 31 December 2013	326,378	23,974	40,127	938,617	110,756	1,439,852
ACCUMULATED DEPRECIATION						
At 1 January 2011	22,120	3,313	5,795	114,591	—	145,819
Exchange adjustments	1,593	277	211	8,562	—	10,643
Provided for the year	6,121	2,776	2,535	48,339	—	59,771
Eliminated on written-off	—	(15)	(1)	(126)	—	(142)
At 31 December 2011	29,834	6,351	8,540	171,366	—	216,091
Exchange adjustments	289	70	54	1,795	—	2,208
Provided for the year	8,977	3,562	2,995	69,235	—	84,769
Eliminated on disposals	—	(117)	(10)	(70)	—	(197)
At 31 December 2012	39,100	9,866	11,579	242,326	—	302,871
Exchange adjustments	555	167	128	3,609	—	4,459
Provided for the year	14,655	4,062	3,066	81,733	—	103,516
Eliminated on disposals	—	(323)	(686)	(2,669)	—	(3,678)
At 31 December 2013	54,310	13,772	14,087	324,999	—	407,168
CARRYING AMOUNTS						
At 31 December 2011	<u>109,011</u>	<u>11,674</u>	<u>17,212</u>	<u>503,255</u>	<u>116,495</u>	<u>757,647</u>
At 31 December 2012	<u>258,928</u>	<u>11,924</u>	<u>18,871</u>	<u>549,621</u>	<u>50,346</u>	<u>889,690</u>
At 31 December 2013	<u>272,068</u>	<u>10,202</u>	<u>26,040</u>	<u>613,618</u>	<u>110,756</u>	<u>1,032,684</u>

The Group is in the process of obtaining the building certificates for the buildings with carrying amounts of approximately HK\$44,995,000 and HK\$137,907,000 as at 31 December 2011 and 2012, respectively. These building certificates were obtained during the year ended 31 December 2013.

The above items of property, plant and equipment, except for construction in progress, are depreciated on its cost less their residual values on a straight-line basis at the following rates per annum:

Buildings	Over the shorter of the term of the lease or 50 years
Computer and office equipment	20% - 50%
Motor vehicles	10% - 20%
Machinery	6% - 20%

The Group's buildings are situated on land in the PRC under medium-term leases.

As at 31 December 2011, 2012 and 2013, certain property, plant and equipment are pledged to banks to secure the bank borrowings granted to the Group. Details are set out in notes 33 and 38, respectively.

As at 31 December 2011, 2012 and 2013, the carrying amounts of machinery included amounts of approximately HK\$258,845,000, HK\$294,453,000 and HK\$120,036,000 respectively in respect of assets held under finance leases.

20. INVESTMENT PROPERTIES

	<u>HK\$'000</u>
FAIR VALUE	
At 1 January 2011	—
Additions	59,671
Net increase in fair value recognised in profit or loss	3,911
Exchange adjustments	122
At 31 December 2011	63,704
Net increase in fair value recognised in profit or loss	1,728
Exchange adjustments	488
At 31 December 2012	65,920
Net increase in fair value recognised in profit or loss	5,019
Exchange adjustments	1,213
At 31 December 2013	<u>72,152</u>

The Group's investment properties are situated in the PRC held under medium-term leases.

Details of the Group's investment properties pledged to bank to secure the bank borrowing granted to the Group are set out in notes 33 and 38, respectively.

Fair value measurements and valuation processes

The fair values of the Group's investment properties at 31 December 2011, 2012 and 2013 were arrived at on the basis of a valuation carried out on that date by Avista Valuation Advisory Limited ("Avista"), independent qualified professional valuer not connected with the Group whose address is Suite 807, 8th Floor, AXA Centre, 151 Gloucester Road, Wanchai, Hong Kong. The valuation was arrived at by reference to income approach taking into account the net rental income of the properties derived from the existing leases and

achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalised to determine the market value at an appropriate capitalisation rate. In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the Relevant Periods.

The investment properties measured at fair value subsequently to initial recognition, are grouped to Level 3 based on the degree to which the inputs to the fair value are observable and the significance of these inputs.

At the end of the reporting period, the management of the Group works closely with the independent qualified professional valuer to establish and determine the appropriate valuation techniques and inputs of the valuation. Where there is a material change in the fair value of the assets, the causes of the fluctuations will be reported to the management of the Group.

There were no transfers into or out of Level 3 during the Relevant Periods.

Information about fair value measurements using significant unobservable input (Level 3)

The following table shows the valuation techniques used in the determination of fair values for investment properties and the key unobservable inputs used in the valuation models.

	<u>Fair value</u> <u>HK\$'000</u>	<u>Valuation</u> <u>Techniques</u>	<u>Unobservable</u> <u>inputs</u>	<u>Range of</u> <u>unobservable</u> <u>inputs</u>	<u>Relationship of</u> <u>unobservable</u> <u>inputs to fair</u> <u>value</u>
31 December 2011 . . .	63,704	Income capitalisation approach	(i) Capitalisation rate	4.5%	The higher the capitalisation rate, the lower the fair value.
			(ii) Market rent	RMB40.7 - RMB44.1 per square foot per month	The higher the market rent, the higher the fair value.
31 December 2012 . . .	65,920	Income capitalisation approach	(i) Capitalisation rate	4.5%	The higher the capitalisation rate, the lower the fair value.
			(ii) Market rent	RMB41.8 - RMB45.3 per square foot per month	The higher the market rent, the higher the fair value.
31 December 2013 . . .	72,152	Income capitalisation approach	(i) Capitalisation rate	4.5%	The higher the capitalisation rate, the lower the fair value.
			(ii) Market rent	RMB45.2 - RMB48.9 per square foot per month	The higher the market rent, the higher the fair value.

21. PREPAID LEASE PAYMENTS

	<u>As at 31 December</u>		
	<u>2011</u>	<u>2012</u>	<u>2013</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
The Group's prepaid lease payments comprise:			
Medium-term leasehold land in the PRC	<u>46,305</u>	<u>45,655</u>	<u>45,452</u>
Analysed for reporting purposes as:			
Current asset	988	995	1,013
Non-current asset	<u>45,317</u>	<u>44,660</u>	<u>44,439</u>
	<u>46,305</u>	<u>45,655</u>	<u>45,452</u>

Details of the Group's leasehold land pledged to banks to secure the bank borrowings granted to the Group are set out in notes 33 and 38, respectively.

22. INVENTORIES

	As at 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Raw materials	122,293	106,263	143,446
Work in progress	63,122	73,419	87,545
Finished goods	46,003	50,949	86,882
	<u>231,418</u>	<u>230,631</u>	<u>317,873</u>

As at 31 December 2011 and 2012, certain inventories are pledged to banks to secure the bank borrowings granted to the Group. Details are set out in notes 33 and 38, respectively.

23. TRADE AND BILLS RECEIVABLES

	As at 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Trade receivables	386,779	381,637	451,117
Less: Allowance for bad and doubtful debts	(3,436)	(1,776)	(1,776)
Total trade receivables	383,343	379,861	449,341
Bills receivables	10,130	2,692	4,159
	<u>393,473</u>	<u>382,553</u>	<u>453,500</u>

Before accepting any new customer, the Group assesses the potential customer's credit quality by evaluating their historical credit records and defines credit limits for each customer. Recoverability and credit limit of the existing customers are reviewed by the Group regularly.

Trade receivables from third parties mainly represent receivables from customers in relation to the sale of elastic fabrics and elastic webbing to customers. The credit period granted to the customers is ranged from 30 to 90 days from the date of issuance of a monthly statement for sales delivered in that month.

The following is an aged analysis of trade receivables net of allowance for bad and doubtful debts presented based on the date of issuance of monthly statements at the end of each reporting period and aged analysis of bills receivable presented based on the date of issuance of the bills at the end of each reporting period.

	As at 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
<u>Trade receivables</u>			
0 - 90 days	356,082	363,787	410,607
91 - 180 days	26,064	13,879	33,451
Over 180 days	1,197	2,195	5,283
	<u>383,343</u>	<u>379,861</u>	<u>449,341</u>
<u>Bills receivables</u>			
0 - 90 days	—	1,579	1,861
91 - 180 days	10,130	1,113	2,298
	<u>10,130</u>	<u>2,692</u>	<u>4,159</u>
	<u>393,473</u>	<u>382,553</u>	<u>453,500</u>

As at 31 December 2011, 2012 and 2013, included in the Group's trade receivables balance are debtors with an aggregate carrying amount of HK\$78,044,000, HK\$70,394,000 and HK\$86,485,000 respectively, which are past due at the end of the reporting period for which the Group has not provided for impairment loss. The trade receivables which are past due but not impaired were either settled subsequently or due from debtors which do not have historical default of payments. The Group does not hold any collateral over these balances.

Aged analysis of trade receivables which are past due but not impaired

The following aged analysis of trade receivables based on payment due dates which are past due but not impaired.

	As at 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
1 - 30 days	40,471	40,062	58,345
31 - 60 days	21,292	18,357	15,940
61 - 90 days	10,972	5,952	5,125
Over 90 days	5,309	6,023	7,075
	<u>78,044</u>	<u>70,394</u>	<u>86,485</u>

Movement in the allowance for bad and doubtful debts

	As at 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Balance at beginning of the year	353	3,436	1,776
Impairment losses recognised (reversed) on receivables	3,083	(1,066)	789
Amounts written off as uncollectible	—	(594)	(789)
Balance at end of the year	<u>3,436</u>	<u>1,776</u>	<u>1,776</u>

As at 31 December 2011, 2012 and 2013, included in the allowance for bad and doubtful debts are individually impaired trade receivables with an aggregate balance of HK\$3,436,000, HK\$1,776,000 and HK\$1,776,000 respectively which are either aged over one year or the customer was in severe financial difficulty. In determining the recoverability of a trade receivable, the Group considers any change in credit quality of the trade receivables from the date credit was initially granted up to the end of the reporting period. Management of the Group believes that no further impairment is required in excess of the allowance for bad and doubtful debts. Management of the Group writes off the bad and doubtful debts when the debtor is liquidated.

As at 31 December 2011, 2012 and 2013, certain trade receivables are pledged to banks to secure the bank borrowings (including factoring arrangement disclosed below and other bank borrowings) granted to the Group. Details are set out in notes 33 and 38, respectively.

Transfer of financial assets

The following were the Group's trade receivables as at 31 December 2011, 2012 and 2013 that were transferred to banks by factoring trade receivables on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it

continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as a secured borrowing (see note 33). These financial assets are carried at amortised cost in the Group's combined statements of financial position.

	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000
Carrying amount of transferred assets	45,679	48,671	105,992
Carrying amount of associated liabilities	(35,947)	(28,175)	(34,459)
Net position	<u>9,732</u>	<u>20,496</u>	<u>71,533</u>

The Group's trade receivables that are denominated in currencies which are not the functional currencies of the relevant group entities are set out below:

	USD HK\$'000	RMB HK\$'000
As at 31 December 2011	118,536	10,130
As at 31 December 2012	133,964	—
As at 31 December 2013	<u>144,438</u>	<u>—</u>

24. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group As at 31 December			The Company As at 31 December
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	2013 HK\$'000
Deposits paid	5,252	6,430	1,937	—
Deposits paid for acquisition of property plant and equipment	15,782	9,396	25,640	—
Deposits in life insurance policy (Note)	6,164	6,333	6,625	—
Prepayments	3,902	4,552	5,589	1,123
Other tax recoverable	31,505	6,166	2,091	—
Other receivables	<u>7,841</u>	<u>8,220</u>	<u>6,307</u>	<u>—</u>
	<u>70,446</u>	<u>41,097</u>	<u>48,189</u>	<u>1,123</u>
Analysed as:				
Current	48,500	25,368	15,525	1,123
Non-current	<u>21,946</u>	<u>15,729</u>	<u>32,664</u>	<u>—</u>
	<u>70,446</u>	<u>41,097</u>	<u>48,189</u>	<u>1,123</u>

Non-current deposits stated on the combined statements of financial position include rental deposits, deposits paid for acquisition of property, plant and equipment and deposits in life insurance policy.

Note: The Group has entered into one life insurance policy with HSBC Life (International) Limited ("HSBC") to insure a director of the Company. Under this policy, the Group is the beneficiary and policy holder and the total insured sum is USD3,500,000. The Group is required to pay a single premium of USD836,970 to HSBC. The Group can, at any time, receive cash back based on the cash value of the policy at the date of withdrawal, which is determined by the gross premium paid plus accumulated guaranteed interest earned and minus any charges made in accordance with the terms and conditions of the policy. In addition, if withdrawal is made between the 1st to 15th policy year, there is a specified amount of surrender charge. HSBC will pay the Group a guaranteed interest rate of 4.8% per annum for the first year, followed by minimum guaranteed interest rate of 3% per annum for the following years.

At the inception date, the gross premium was separated into deposit placed and prepayment of life insurance premium. The prepayment of life insurance premium is recognised in profit or loss over the insured period and the deposit placed is carried at amortised cost using the effective interest method. The effective interest rate for the deposit placed on initial recognition is 2.9% per annum, which was determined by discounting the estimated future cash receipts through the expected life of the policy of 30 years, excluding the financial effect of surrender charge.

During the Relevant Periods, the expected life of the policy remained unchanged from the initial recognition and the management of the Group considers that the financial impact of the option to terminate the policies was insignificant.

25. HELD-FOR-TRADING INVESTMENTS

	As at 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Unlisted investment funds in the PRC	<u>826</u>	<u>1,419</u>	<u>—</u>

26. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Unit trusts denominated in USD	<u>2,653</u>	<u>3,024</u>	<u>2,979</u>

As at 31 December 2011, 2012 and 2013, the Group's available-for-sale financial assets has been pledged as security for the bank borrowings granted to the Group. Details are set out in notes 33 and 38 respectively.

27. AMOUNTS DUE FROM (TO) DIRECTORS

Amount due from a director is non-trading in nature, unsecured, non-interest bearing and repayable on demand. As represented by the management of the Group, the amounts are expected to be repayable within twelve months from the end of respective reporting periods and as such, the amount is classified as current assets.

The amounts due to directors are non-trading in nature, unsecured, non-interest bearing and repayable on demand.

Amount due from a director disclosed pursuant to section 161B of the Hong Kong Companies Ordinance are as follows:

	As at 31 December			Maximum amount outstanding during the year ended 31 December		
	2011	2012	2013	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<u>Directors</u>						
Mr. Wu	<u>1,448</u>	<u>413</u>	<u>—</u>	7,000	1,448	413

28. AMOUNTS DUE FROM (TO) RELATED COMPANIES/SUBSIDIARIES

THE GROUPAmounts due from related companies

	As at 31 December		
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000
Dongguan Colorlink Dyeing Company Limited			
東莞市德聯服裝配料有限公司 (“Dongguan Colorlink”) ¹	6	50	—
Dongguan Machong Zhangying Garden Greening Company			
東莞市麻涌長盈園林綠化經營部 (“Machong Zhangying”) ²	4,990	32,338	—
Guangzhou Premium Fashion Company Limited			
廣州市質品服飾有限公司 (“Premium Fashion”) ³	8,793	36,190	—
Dongguan Sun Home Property Investment Company Limited			
東莞市信鴻物業投資有限公司 (“Sun Home”) ⁴	—	13	—
Dongguan Runda Elastic Weaving Company Limited			
東莞市潤達彈性織造有限公司 (“Dongguan Runda”) ⁴	—	20,014	—
Rich Chest Industrial Limited (“Rich Chest”) ⁴	—	3,822	—
Total	<u>13,789</u>	<u>92,427</u>	<u>—</u>
Amounts due from related companies by nature categorised as follows:			
Trade balances	43	761	—
Non-trade balances	<u>13,746</u>	<u>91,666</u>	<u>—</u>
Total	<u>13,789</u>	<u>92,427</u>	<u>—</u>

Notes:

1 Dongguan Colorlink is under significant influence of Mr. Wu before disposal by Mr. Wu in September 2013.

2 Machong Zhangying is controlled by Mr. Wu.

3 Mr. Lu has 50% equity interest in Premium Fashion.

4 Sun Home, Dongguan Runda and Rich Chest are controlled by the family members of Mr. Lu.

The amounts due from related companies are unsecured. For non-trading balances, other than the balance due from Premium Fashion as at 31 December 2012, which is repayable on demand and interest bearing at 7.5% per annum, the remaining balances are repayable on demand and non-interest bearing. For trade balances, the Group allows an average credit period of 90 days from date of issuance of monthly statements and non-interest bearing.

Maximum amount of the non-trade balances outstanding disclosed pursuant to section 161B of the Hong Kong Companies Ordinance are as follows:

	Year ended 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Dongguan Colorlink	18,519	55,555	37,641
Machong Zhangying	7,953	38,557	42,737
Premium Fashion	8,793	36,190	46,654
Dongguan Premium Fashion Company Limited 東莞市質品服飾有限公司			
("Dongguan Premium Fashion") ¹	—	—	30,991
Boluo Deyingli Trading Company Limited 博羅縣德盈利貿易有限公司			
("Boluo Deyingli") ²	—	—	88,608
Dongguan Zhuoying Construction Materials Company Limited			
東莞市卓盈建材有限公司 ("Dongguan Zhuoying") ²	—	—	34,810
Sun Home	—	13	13
Dongguan Runda	—	20,014	20,014
Rich Chest	—	6,875	45,713

Note:

1 Spouses of Mr. Lu and Mr. Zhang have 80% equity interest in aggregate in Dongguan Premium Fashion.

2 Boluo Deyingli and Dongguan Zhuoying are controlled by the family members of Mr. Lu.

Aged analysis of trade balances

The following is an aged analysis of trade balances with the related companies based from the date of issuance of monthly statements at the end of each reporting period.

	As at 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
0 - 90 days	43	—	—
91 - 180 days	—	761	—
	<u>43</u>	<u>761</u>	<u>—</u>

As at 31 December 2012, included in the Group's trade balances of amounts due from related companies are debtors with aggregate carrying amount of HK\$761,000, which are past due as at the end of the reporting period for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

Aged analysis of which are past due but not impaired

The following is an aged analysis of trade balances with the related companies based on payment due dates which are past due but not impaired.

	As at 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
0 - 30 days	—	761	—

Amounts due to related companies

Details of the amounts due to related companies are stated as follows:

	As at 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Dongguan Colorlink	122	229	—
Machong Zhangying	—	8,588	—
Premium Fashion	435	114	—
Dongguan Runda	77,474	—	—
Rich Chest	10,666	7,640	—
Total	<u>88,697</u>	<u>16,571</u>	<u>—</u>
Amounts due to related companies by nature categorised as follows:			
Trade balances	8,790	343	—
Non-trade balances	<u>79,907</u>	<u>16,228</u>	<u>—</u>
Total	<u>88,697</u>	<u>16,571</u>	<u>—</u>

Amounts due to related companies are unsecured and non-interest bearing. For non-trading balances, they are repayable on demand. For trade balances, the credit period granted to the Group is 90 days.

As at 31 December 2011 and 2012, the trade balances of amounts to related companies were aged within 3 months.

The Group's amounts due to related companies that are denominated in currencies which are not the functional currencies of the relevant group entities are set out below:

	HK\$
	HK\$'000
As at 31 December 2011	4,639
As at 31 December 2012	4,674
As at 31 December 2013	<u>—</u>

THE COMPANY

The amounts due to subsidiaries are unsecured, non-interest bearing and repayable on demand.

29. PLEDGED BANK DEPOSITS, BANK BALANCES AND CASH

As at 31 December 2011, 2012 and 2013, pledged bank deposit represents deposit pledged to banks to secure the bank borrowings granted to and bills payable issued by the Group, carried at fixed interest rate ranged from 0.27% to 2.85%, 0.27% to 3.00% and 0.30% to 2.85% per annum, respectively. It also includes bank deposits of HK\$3,713,000, HK\$15,047,000 and HK\$25,187,000 as at 31 December 2011, 2012 and 2013 pledged as cash collateral for the Group's derivative trading.

Bank balances and cash comprise cash held by the Group and the Company and short-term bank deposits at variable interest rates with an original maturity of three months or less. As at 31 December 2011, 2012 and 2013, the interest rates ranged from 0.001% to 0.467%, 0.001% to 0.395% and 0.001% to 0.350% per annum respectively.

The Group's bank balances and pledged bank deposits that are denominated in currencies which are not the functional currencies of the relevant group entities are set out below:

	<u>HK\$</u>	<u>USD</u>	<u>EUR</u>	<u>RMB</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
As at 31 December 2011	1,716	49,242	98	4,495
As at 31 December 2012	37,501	19,997	100	310
As at 31 December 2013	<u>6,890</u>	<u>16,418</u>	<u>1,562</u>	<u>7,473</u>

30. TRADE PAYABLES

The credit period granted by the Group's creditors is 1 month to 3 months. The following is an aged analysis of trade payables presented based on the invoice date at the end of each reporting period:

	<u>As at 31 December</u>		
	<u>2011</u>	<u>2012</u>	<u>2013</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
0 - 90 days	76,977	73,162	98,082
Over 90 days	897	—	9,311
	<u>77,874</u>	<u>73,162</u>	<u>107,393</u>

The Group's trade payables that are denominated in currencies which are not the functional currencies of the relevant group entities are set out below:

	<u>USD</u>	<u>EUR</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>
As at 31 December 2011	58,343	2,655
As at 31 December 2012	67,146	—
As at 31 December 2013	<u>65,794</u>	<u>—</u>

31. BILLS PAYABLE

The following is an aged analysis of bills payable presented based on the date of issuance of the bills at the end of the reporting period:

	<u>As at 31 December</u>		
	<u>2011</u>	<u>2012</u>	<u>2013</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
0 - 90 days	125,106	156,211	151,691
91 - 180 days	2,536	13,228	50,625
	<u>127,642</u>	<u>169,439</u>	<u>202,316</u>

32. OTHER PAYABLES AND ACCRUED CHARGES

	As at 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Accrued staff costs	28,695	31,345	43,823
Other accruals	11,121	10,067	13,704
Payables on acquisition of property, plant and equipment	29,649	38,105	40,573
Receipts in advance	1,078	5,864	4,255
Provision for non-compliant temporary structure (note)	4,701	6,463	6,578
Other payables	7,012	12,841	22,145
Total	82,256	104,685	131,078

Note: The provision of non-compliant temporary structure relates to maximum fine of not more than the portion of the construction cost of the non-compliant temporary structure. Additions of HK\$4,427,000 and HK\$1,727,000 are accrued by reference to the construction cost of the non-compliant temporary structure construction carried out in respective period.

33. BANK BORROWINGS

	As at 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Unsecured syndicated loans	—	—	424,857
Secured bank borrowings	436,751	606,832	194,377
Unsecured bank borrowings	147,255	170,314	143,529
Collateralised bank borrowings from factoring of trade receivables with full recourse (note 23)	35,947	28,175	34,459
Bills financing borrowings	132,654	55,970	—
	<u>752,607</u>	<u>861,291</u>	<u>797,222</u>
Carrying amount repayable*:			
Within one year	724,225	804,334	325,008
More than one year, but not exceeding two years	7,170	36,461	149,101
More than two years, but not more than five years	18,474	20,496	323,113
More than five years	2,738	—	—
	<u>752,607</u>	<u>861,291</u>	<u>797,222</u>
Less: Amounts due within one year and/or contain a repayment on demand clause shown under current liabilities	(732,793)	(845,088)	(345,660)
Amounts shown under non-current liabilities	<u>19,814</u>	<u>16,203</u>	<u>451,562</u>
Carrying amount of bank borrowings that are repayable within one year and contain a repayment on demand clause	7,862	22,676	29,053
Carrying amount of bank borrowings that are repayable more than one year but contain a repayment on demand clause	8,568	40,754	20,653
	<u>16,430</u>	<u>63,430</u>	<u>49,706</u>

* The amounts due are based on schedule repayment dates set out in the loan agreements.

The unsecured syndicated loans are guaranteed by group companies, Mr. Lu and Mr. Zhang and the loans will be fully matured on 16 July 2016.

The secured bank borrowings are secured by the properties owned by Mr. Lu, a director and controlling shareholder of the Company and Sun Home as disclosed in note 47 and assets pledged as disclosed in note 38 and guaranteed by Mr. Lu, Mr. Zhang, group entities, Sun Home, Dongguan Runda and Rich Chest as at 31 December 2011 and 2012 and secured by assets pledged as disclosed in note 38 and guaranteed by Mr. Lu and Mr. Zhang as at 31 December 2013.

The unsecured bank borrowings are guaranteed by group entities, Mr. Lu, Mr. Zhang, Dongguan Runda and Sun Home as at 31 December 2011 and 2012 and guaranteed by Mr. Lu and Mr. Zhang as at 31 December 2013.

Bills financing borrowings refer to bank borrowings obtained from the discounting of bank acceptance bills issued by Dongguan BPT to related companies and the related companies endorsed those bank acceptance bills back to Dongguan BPT simultaneously. Details of the arrangement are set out in note 47.

The exposure of the Group's fixed-rate borrowings (including bills financing borrowings) and the contractual maturity dates are as follows:

	As at 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Fixed-rate borrowings:			
Within one year	618,214	628,722	125,105
In more than one year but not more than two years	2,400	2,400	9,490
In more than two years but not more than five years	3,200	800	47,451
	<u>623,814</u>	<u>631,922</u>	<u>182,046</u>

In addition, the Group has floating-rate borrowings which carry interest at HIBOR plus 1% to 3.6% or benchmark borrowing rate (人民銀行貸款基準利率) quoted by the People's Bank of China plus a spread.

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's bank borrowings (including bills financing borrowings) are as follows:

	Year ended 31 December		
	2011	2012	2013
Effective interest rate (per annum):			
Fixed-rate borrowings	3.73% - 9.51%	2.55% - 7.87%	4.58% - 8.80%
Floating-rate borrowings	<u>2.34% - 7.05%</u>	<u>3.39% - 7.21%</u>	<u>3.09% - 7.76%</u>

The Group's bank borrowing that are denominated in currencies which are not the functional currencies of the relevant group entities are set out below:

	HK\$	USD	EUR
	HK\$'000	HK\$'000	HK\$'000
As at 31 December 2011	66,103	73,296	1,388
As at 31 December 2012	105,048	106,677	366
As at 31 December 2013	<u>111,734</u>	<u>71,307</u>	<u>7,907</u>

34. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments			Present value of minimum lease payments		
	As at 31 December			As at 31 December		
	2011	2012	2013	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts payable under finance leases:						
Within one year	60,845	70,097	34,177	54,544	64,315	32,463
In the second to fifth year inclusive	116,728	92,574	28,197	110,730	88,515	27,300
	177,573	162,671	62,374	165,274	152,830	59,763
Less: future finance charges	(12,299)	(9,841)	(2,611)	—	—	—
Present value of lease obligations	165,274	152,830	59,763	165,274	152,830	59,763
Less: Amounts contains repayment on demand clause and/or due for settlement within one year (shown as current liabilities)				(120,908)	(127,526)	(37,164)
Amounts due for settlement after one year				44,366	25,304	22,599
Obligations that are repayable within one year and contain a repayment on demand clause				35,080	45,251	8,363
Obligations that are repayable more than one year but contain a repayment on demand clause				66,364	63,211	4,701
	101,444	108,462	13,064			

The Group leased certain of its machineries and motor vehicles under finance leases. The lease term was ranged from 3 years to 4 years. Interest rates underlying all obligations under finance lease are fixed at respective contract dates ranging from 3.50% to 6.75%, 3.50% to 6.75% and 3.50% to 4.75% per annum as at 31 December 2011, 2012 and 2013 respectively. All leases were on a fixed repayment basis and no arrangement was entered into for contingent rental payments.

During the year ended 31 December 2013, the Group had early settled certain obligations under finance leases.

The Group's obligations under finance leases were secured by the lessors' charge over the leased assets.

35. DERIVATIVE FINANCIAL INSTRUMENTS

	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000
<u>Financial assets</u>			
Capped forward contracts (current)	—	2,174	1,075
Knock out forward contracts (current)	—	—	436
Knock out forward contracts (non-current)	—	1,377	—
	<u>—</u>	<u>3,551</u>	<u>1,511</u>
<u>Financial liabilities</u>			
Knock out forward contracts (current)	814	—	—

Capped forward contracts

As at 31 December 2012, the amount represented the fair value of gross-settled capped forward contracts with aggregate notional amount of USD27 million. The Group shall pay USD/receive RMB if the spot rate between USD and RMB is lower than the contract rate which is specified in the relevant agreements on respective settlement dates based on the notional amount and the contract rate. Where the spot rate is above the contract rate on respective settlement dates, the Group should pay USD/receive RMB based on the notional amount multiply by two and the contract rate with respective banks. The aforesaid contract rates in the relevant agreements are ranging from RMB6.41 to RMB6.5 for USD1. These contracts will be settled in various dates in year 2013. The fair value of the capped forward contracts was approximately HK\$2,174,000 as at 31 December 2012.

As at 31 December 2013, the amount represented the fair value of gross-settled capped forward contracts with aggregate notional amount of USD5.5 million. The Group shall pay USD/receive RMB if the spot rate between USD and RMB is lower than the contract rate which is specified in the relevant agreements on respective settlement dates based on the notional amount and the contract rate. Where the spot rate is above the contract rate on respective settlement dates, the Group should pay USD/receive RMB based on the notional amount multiply by two and the contract rate with respective banks. The aforesaid contract rate in the relevant agreements are ranging from RMB6.4 to RMB6.5 for USD1. These contracts will be settled in various dates in year 2014.

Knock out forward contracts

During the year ended 31 December 2011, the Group entered gross-settled knock out forward contracts with aggregate notional amount of USD12 million that the Group should pay USD based on agreed amount with the bank and the spread between spot rate and RMB6.525 for USD1 when spot rate between USD and RMB is above RMB6.525 for USD1. The Group would receive USD3,000 when the spot rate is below RMB6.525 for USD1 on respective settlement dates. The fair value of the knock out forward contracts was approximately HK\$814,000 as at 31 December 2011. These contracts were matured in July 2012.

During the year ended 31 December 2012, the Group entered another type of gross-settled knock out forward contracts with aggregate notional amount of USD48 million that the

Group should pay USD/receive RMB at an agreed amount multiply by two with the bank when the spot rate between USD and RMB is above RMB6.5 for USD1. The Group should pay USD/receive RMB at an agreed amount with the bank when spot rate fall within the range of RMB6.43 for USD 1 to RMB6.5 for USD1 on respective settlement dates. The Group would receive RMB210,000 when the spot rate is equal or below RMB6.43 to USD1 on respective settlement dates. The fair value of the knock out forward contract was approximately HK\$1,377,000 as at 31 December 2012. As at 31 December 2013, the outstanding aggregate notional amount and fair value of this contract were USD12 million and approximately HK\$436,000 respectively. This contract will be matured in April 2014.

The fair value changes of derivative financial instruments for the Relevant Periods is recognised in profit or loss and included as other gains and losses as set out in note 11.

36. DEFERRED TAXATION

The following is the major deferred tax assets (liabilities) recognised and movements during the Relevant Periods.

	Deferred government grants HK\$'000	Capitalised finance costs HK\$'000	Allowance for inventories HK\$'000	Allowance for bad and doubtful debts HK\$'000	Investment properties HK\$'000	Total HK\$'000
At 1 January 2011	—	—	—	—	—	—
Credited (charged) to profit or loss (note 16)	1,486	(781)	1,739	468	(963)	1,949
Exchange adjustments	46	(24)	53	15	(30)	60
At 31 December 2011	1,532	(805)	1,792	483	(993)	2,009
Credited (charged) to profit or loss (note 16)	319	(1,254)	1,852	(41)	(684)	192
Exchange adjustments	14	(10)	29	2	(13)	22
At 31 December 2012	1,865	(2,069)	3,673	444	(1,690)	2,223
Credited (charged) to profit or loss (note 16)	439	(1,480)	889	—	(1,185)	(1,337)
Exchange adjustments	38	(52)	49	6	(41)	—
At 31 December 2013	<u>2,342</u>	<u>(3,601)</u>	<u>4,611</u>	<u>450</u>	<u>(2,916)</u>	<u>886</u>

The above deferred tax assets and liabilities have been offset for presentation purpose in the combined statements of financial positions.

As disclosed in note 16, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Under the EIT Law, deferred tax liabilities have not been provided for in the Financial Information in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to HK\$230,059,000, HK\$247,105,000 and HK\$378,825,000 as at 31 December 2011, 2012 and 2013 respectively, as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

The Group had unused tax losses of approximately HK\$1,571,000, HK\$904,000 and HK\$1,140,000 as at 31 December 2011, 2012 and 2013, respectively. No deferred tax assets have been recognised in respect of the unused tax losses due to the unpredictability of future profit streams of respective group entities. The tax losses may be carried forward indefinitely.

37. CAPITAL

THE GROUP

The capital as at 1 January 2011 and 31 December 2011 and 2012 represented the aggregate paid-in capital of BPT Holdings and BPT International attributable to Mr. Lu, the controlling party of the Group. Capital as at 31 December 2013 represented the aggregate paid-in capital of BPT Holdings and BPT International attributable to Mr. Lu and the Company.

THE COMPANY

On 14 June 2013, the Company was incorporated in the Cayman Islands. Upon its incorporation, one subscriber share was allotted and issued, to the subscriber and transferred to Grandview. On the same date, 331,499 shares, 39,000 shares and 19,500 shares were allotted and issued at par value to Grandview, Sunbrilliant and Lakefront, respectively. On 12 December 2013, 331,500 shares, 39,000 shares and 19,500 shares were allotted and issued at par value to Grandview, Sunbrilliant and Lakefront, respectively. All shares issued rank pari passu with each other in all respects.

Information are set out below:

	<u>Number of shares</u>	<u>Amount</u>	
		HK\$	HK\$'000
Ordinary shares of HK\$0.01 each			
Authorised:			
At 14 June 2013 (date of incorporation) and			
31 December 2013	39,000,000	390,000	390
Issued and fully paid:			
At 14 June 2013 (date of incorporation)	1	—	—
Issue of shares on 14 June 2013 (date of			
incorporation)	389,999	3,900	4
Issue of shares on 12 December 2013	390,000	3,900	4
At 31 December 2013	780,000	7,800	8

38. PLEDGE OF ASSETS

At the end of the reporting period, the Group has pledged certain trade receivables, pledged bank deposits, property, plant and equipment, investment properties, inventories, prepaid lease payments and available-for-sale financial assets to secure the bills payable issued by and bank borrowings granted to the Group. The carrying amounts of the assets pledged are as follows:

	As at 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Trade receivables	45,679	110,860	169,283
Pledged bank deposits	172,380	187,926	96,107
Property, plant and equipment	84,556	246,081	187,959
Investment properties	63,704	65,920	72,152
Inventories	58,183	47,687	—
Prepaid lease payments	14,740	45,655	31,038
Available-for-sale financial assets	2,653	3,024	2,979
	<u>441,895</u>	<u>707,153</u>	<u>559,518</u>

As at 31 December 2011 and 2012, the Group has also discounted bills endorsed from related companies amounted to HK\$132,654,000 and HK\$55,970,000 respectively as security of its bills financing borrowings. Details are set out in notes 33 and 47.

39. RETIREMENT BENEFITS PLANS

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") under the rules and regulations of the Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. Contributions are made based on a percentage of the employees' salaries with a cap of HK\$1,250 per month starting from 1 June 2012 (prior to 1 June 2012: HK\$1,000) and are charged to the profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. No forfeited contribution is available to reduce the contribution payable in the future years as at 31 December 2011, 2012 and 2013.

The Group's PRC subsidiaries are required to make contributions to the state-managed retirement schemes operated by the local governments based on certain percentage of the monthly salaries of their current employees to fund the benefits.

The only obligation of the Group with respect to the above defined contribution retirement benefits schemes is to make the required contributions under the respective schemes.

During the years ended 31 December 2011, 2012 and 2013, the total costs charged to profit or loss are approximately HK\$8,933,000, HK\$10,819,000 and HK\$14,168,000 respectively, representing contributions paid/payable to the above defined contribution retirement benefits schemes.

40. OPERATING LEASE COMMITMENTSThe Group as lessee

At the end of the reporting periods, the Group had commitments for future minimum lease payments in respect of office and factory premises, warehouse and staff quarters rented under non-cancellable operating leases which fall due as follows:

	As at 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Within one year	9,624	8,329	11,567
In the second to fifth year inclusive	13,736	7,860	16,988
Over five years	3,026	1,601	—
	<u>26,386</u>	<u>17,790</u>	<u>28,555</u>

Leases for office premises, warehouse and staff quarters are negotiated for an average term of two years and rentals are fixed for an average term of two years. A lease for factory premises was negotiated for a term of ten years. During the year ended 31 December 2013, the lease for factory premises were renegotiated for a term of three years.

The Group as lessor

At the end of the reporting periods, the Group had contracted with tenants for the following future minimum lease payments:

	As at 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Within one year	37	280	893
In the second to fifth year inclusive	65	1,039	2,125
	<u>102</u>	<u>1,319</u>	<u>3,018</u>

Leases are negotiated for an average term of four years and rentals are fixed for an average term of four years.

41. CAPITAL COMMITMENTS

	As at 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Capital expenditure in respect of the addition of property, plant and equipment contracted but not provided for	<u>54,750</u>	<u>60,975</u>	<u>67,838</u>

42. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The disclosures set out below include financial assets and financial liabilities that:

- are offset in the Group's combined statements of financial position; or
- are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the combined statements of financial position.

The Group does not have any financial assets and financial liabilities that are offset in its combined statements of financial position.

However, the Group has entered into International Swaps and Derivatives Master Agreements ("ISDA") in respect of its dealings in derivatives. The Group placed cash collateral and pledged its investment in life insurance policy with the counterparty banks in respect of its derivative transactions. The derivatives (including capped forward contracts and knock out forward contracts) and the pledged deposits (cash collateral) and deposits in life insurance policies do not meet the criteria for offsetting in the combined statements of financial position since the right of set off of the recognised amounts is only enforceable following an event of default. Details are set out below.

As at 31 December 2011

	Amounts presented on combined statements of financial position	Related amounts not set off in the combined statement of financial position	Net amount
	HK\$'000	HK\$'000	HK\$'000
Recognised financial liabilities:			
-Knock out forward contracts	(814)	814	—
Collateral:			
-Pledged deposits	3,713	(814)	2,899
			<u>2,899</u>

As at 31 December, 2012

	Amounts presented on combined statements of financial position	Related amounts not set off in the combined statement of financial position	Net amount
	HK\$'000	HK\$'000	HK\$'000
Recognised financial assets:			
-Capped forward contracts	2,174	—	2,174
-Knock out forward contracts	1,377	—	1,377
Collateral:			
-Deposits in life insurance policy	6,333	—	6,333
-Pledged deposits	15,047	—	15,047
			<u>24,931</u>

As at 31 December, 2013

	Amounts presented on combined statements of financial position	Related amounts not set off in the combined statement of financial position	Net amount
	HK\$'000	HK\$'000	HK\$'000
Recognised financial assets:			
-Capped forward contracts	1,075	—	1,075
-Knock out forward contracts	436	—	436
Collateral:			
-Deposits in life insurance policy	6,625	—	6,625
-Pledged deposits	25,187	—	25,187
			<u>33,323</u>

43. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES

The principal activities and principal place of business of non-wholly owned subsidiaries are summarised as follows:

<u>Principal activities</u>	<u>Principal place of business</u>	<u>Number of subsidiaries</u>		
		<u>2011</u>	<u>2012</u>	<u>2013</u>
Investment holding	Hong Kong	3	3	3
Trading of elastic fabrics, lace and elastic webbing	Hong Kong	2	2	2
Manufacture and trading of elastic fabrics	The PRC	1	1	1
		<u>6</u>	<u>6</u>	<u>6</u>

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

<u>Name of subsidiaries</u>	<u>Place of incorporation and principal place of business</u>	<u>Proportion of ownership interests and voting rights held by non-controlling interests</u>			<u>Profit allocated to non-controlling interests</u>			<u>Accumulated non-controlling interests</u>		
		<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
					<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
BPT and its wholly-owned subsidiary ...	Hong Kong/PRC	15%	15%	15%	10,829	12,994	17,372	43,041	55,010	68,609
BPT International and its wholly-owned subsidiaries ..	BVI/Hong Kong	15%	15%	15%	14,979	10,479	12,574	14,974	25,453	38,027
					<u>25,808</u>	<u>23,473</u>	<u>29,946</u>	<u>58,015</u>	<u>80,463</u>	<u>106,636</u>

Summarised financial information for the years ended 31 December 2011, 2012 and 2013 in respect of the Group's subsidiaries that have material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

BPT and its wholly-owned subsidiary

	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000
Non-current assets	729,898	858,806	1,012,896
Current assets	834,489	780,642	569,287
Non-current liabilities	(29,541)	(25,530)	(98,555)
Current liabilities	(1,247,898)	(1,247,182)	(1,026,221)
Total equity	286,948	366,736	457,407
Revenue	815,056	864,891	1,007,204
Expenses	(742,866)	(778,269)	(891,393)
Profit for the year	72,190	86,622	115,811
Other comprehensive income for the year	37,388	7,510	16,293
Total comprehensive income for the year	109,578	94,132	132,104
Dividends paid	—	—	60,000
Net cash inflow from operating activities	103,379	140,705	259,167
Net cash outflow from investing activities	(208,805)	(176,658)	(62,854)
Net cash inflow (outflow) from financing activities	84,616	48,320	(216,594)
Net cash (outflow) inflow	(20,810)	12,367	(20,281)

BPT International and its wholly-owned subsidiaries

	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000
Non-current assets	14,011	8,412	11,661
Current assets	587,931	788,881	1,082,186
Non-current liabilities	(13,395)	(8,618)	(386,031)
Current liabilities	(488,722)	(618,989)	(454,299)
Total equity	99,825	169,686	253,517
Revenue	910,238	916,067	1,112,032
Expenses	(810,376)	(846,206)	(1,028,201)
Profit and total comprehensive income for the year	99,862	69,861	83,831
Net cash inflow from operating activities	219,743	150,090	49,015
Net cash outflow from investing activities	(242,048)	(148,071)	(278,481)
Net cash inflow (outflow) from financing activities	89,295	(15,087)	197,472
Net cash inflow (outflow)	66,990	(13,068)	(31,994)

Other than the restriction on the ability of the wholly-owned subsidiary of BPT established in the PRC to transfer funds to BPT in the form of cash dividends, conversion and remittance of foreign currencies which are subject to PRC foreign exchange regulations,

there are no significant restrictions on the ability of BPT and BPT International to transfer funds to the Group in the form of cash dividends, or to repay loans or advance made by the Group.

44. FINANCIAL GUARANTEE AND CONTINGENT LIABILITIES

	As at 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Financial guarantee liability recognised on combined statements of financial position respect of:			
Guarantee to Boluo County Riverside Palace (note (i))	24,844	21,070	—
Guarantee to Dongguan Baoying (note (ii))	—	15,981	11,623
	<u>24,844</u>	<u>37,051</u>	<u>11,623</u>
Financial guarantee income credited to profit or loss including:			
Guarantee to Boluo County Riverside Palace (note (i))	1,572	3,774	2,516
Guarantee to Dongguan Baoying (note (ii))	—	2,179	4,358
	<u>1,572</u>	<u>5,953</u>	<u>6,874</u>

- (i) On 22 July 2011, Dongguan BPT, Dongguan Runda and Mr. Lu provided a financial guarantee to a bank for banking facilities of RMB84,000,000 with maturity of seven years granted to 博羅縣水岸香洲置業有限公司 Boluo County Riverside Palace Property Company Limited (“Boluo County Riverside Palace”), a company owned by the family members of Mr. Lu. The fair value of the financial guarantee as at 22 July 2011 was arrived at on the basis of valuation carried out on that date by Avista, independent qualified professional valuer not connected with the Group. The address of Avista is set out in note 20. The fair value of the financial guarantee was calculated based on credit spread (including the assumption on probability of default and recovery ratio) and the maximum exposure of the facility to the Group. The estimated fair value of the financial guarantee of HK\$26,416,000 was recognised as financial guarantee liability with the equivalent amount charged to equity as shareholder distribution at the grant date. During the year ended 31 December 2011, 2012 and 2013, financial guarantee income of HK\$1,572,000, HK\$3,774,000 and HK\$2,516,000 were recognised in profit or loss respectively. The carrying amount of the financial guarantee liability was HK\$24,844,000 and HK\$21,070,000 as at 31 December 2011 and 2012 respectively. On 9 August 2013, the financial guarantee provided by Dongguan BPT was early released by the bank before maturity of the banking facilities. The remaining carrying amount of HK\$18,554,000 is credited to equity.
- (ii) On 28 June 2012, Dongguan BPT, Dongguan NHE and Mr. Lu provided financial guarantee to a bank for a bank loan of RMB80,000,000 with maturity of four years to 東莞市寶盈房地產開發有限公司 Dongguan Baoying Property Development Company Limited (“Dongguan Baoying”), a company controlled by Mr. Lu. The fair value of the financial guarantee as at 28 June 2012 was arrived at on the basis of valuation carried out on that date by Avista, independent qualified professional valuer not connected with the Group. The address of Avista is set out in note 20. The fair value of the financial guarantee was calculated based on credit spread (including the assumption on probability of default and recovery ratio) and the maximum exposure of the facility to

the Group. The estimated fair value of the financial guarantee of HK\$18,160,000 was recognised as financial guarantee liability with the equivalent amount charged to equity as shareholder distribution at the grant date. During the year ended 31 December 2012 and 2013, financial guarantee income of HK\$2,179,000 and HK\$4,358,000 was recognised in profit or loss respectively. The carrying amount of the financial guarantee liability was HK\$15,981,000 and HK\$11,623,000 as at 31 December 2012 and 2013 respectively. As represented by the management of the Group, the financial guarantee from Dongguan BPT and Dongguan NHE will be released upon the listing of the Company's shares on the Stock Exchange.

- (iii) On 2 January 2012, Dongguan NHE, Dongguan Runda and Mr. Lu provided financial guarantee to a bank for a bank loan of RMB15,000,000 with maturity of four years to 東莞市沙田高聯漆料廠 Dongguan Shatian Gaolian Paint Material Factory, a company controlled by the family members of Mr. Lu. The management of the Group considered that the fair value of the financial guarantee provided by the group entity is insignificant. The financial guarantee from Dongguan NHE will be released upon the listing of the Company's shares on the Stock Exchange.
- (iv) On 12 April 2010, and renewed on 11 April 2011, BPT, BPT (HK), New Horizon Elastic, New Horizon Investment and Rich Chest have provided cross corporate guarantees to each other for the banking facilities of HK\$12,000,000 in addition to the corporate guarantee provided by BPT holdings, BPT International, Dongguan BPT and Dongguan Runda and the personal guarantee provided by Mr. Lu and Mr. Zhang. The banking facilities are available to BPT, BPT (HK), New Horizon Elastic, New Horizon Investment and Rich Chest and any one of these entities can draw the facilities in full any time. The management of the Group considered that the fair value of the financial guarantee provided by group entities is insignificant. On 10 May 2012, the corporate guarantees provided to Rich Chest were released by the bank.
- (v) On 27 September 2011, BPT, BPT (HK), BPT Holdings, BP Investment, BPT International, Dongguan BPT, New Horizon Elastic, New Horizon Investment, Dongguan Runda and Rich Chest have provided corporate guarantees to New Horizon Elastic and Rich Chest for the banking facilities of HK\$31,116,000 in addition to the personal guarantee provided by Mr. Lu and Mr. Zhang. The banking facilities are available to New Horizon Elastic and Rich Chest and any one of these entities can draw the facilities in full any time. The management of the Group considered that the fair value of the financial guarantees provided by group entities is insignificant. On 18 October 2012, the corporate guarantees provided to Rich Chest were released by the bank.
- (vi) On 28 March 2012, which is renewed on 28 March 2013, BPT, BPT (HK), New Horizon Elastic and Rich Chest have provided cross corporate guarantees to each other for the banking facilities of HK\$10,000,000 in addition to the corporate guarantee provided by BPT International and personal guarantee provided by Mr. Lu, Mr. Wu and Mr. Zhang. The banking facilities are available to BPT, BPT (HK), New Horizon Elastic and Rich Chest and any one of these entities can draw the facilities in full any time. The management of the Group considered that the fair value of the financial guarantees provided by group entities is insignificant. As represented by the management of the Group, the corporate guarantees from BPT, BPT (HK) and New Horizon Elastic will be released upon the listing of the Company's shares on the Stock Exchange.

- (vii) On 1 March 2010, and renewed on 1 February 2011, New Horizon Investment, BPT and Rich Chest have provided cross corporate guarantees to each other for the banking facilities of HK\$53,462,000 in addition to the personal guarantee provided by Mr. Lu and Mr. Zhang. The banking facilities are available to New Horizon Investment, BPT and Rich Chest and any one of these entities can draw the facilities in full any time. The management of the Group considered that the fair value of the financial guarantees provided by group entities is insignificant. The banking facilities are replaced by the new facilities granted per note 44(viii).
- (viii) On 16 May 2011, New Horizon Investment, New Horizon Elastic, BPT, BPT (HK) and Rich Chest have provided cross corporate guarantees to each other for the banking facilities of HK\$55,000,000 in addition to the personal guarantee provided by Mr. Lu and Mr. Zhang. The banking facilities are available to New Horizon Elastic, BPT, BPT (HK) and Rich Chest and any one of these entities can draw the facilities in full any time. The management of the Group considered that the fair value of the financial guarantees provided by group entities is insignificant. The banking facilities are replaced by the new facilities granted per note 44(ix).
- (ix) On 22 June 2012, and renewed on 9 July 2013, New Horizon Investment, New Horizon Elastic, BPT, BPT (HK) and Rich Chest have provided cross corporate guarantees to each other for the banking facilities of HK\$60,000,000 in addition to the personal guarantee provided by Mr. Lu and Mr. Zhang. The banking facilities are available to New Horizon Investment, New Horizon Elastic, BPT, BPT (HK) and Rich Chest. The management of the Group considered that the fair value of the financial guarantees provided by group entities is insignificant. As represented by the management of the Group, the corporate guarantees from New Horizon Investment, New Horizon Elastic, BPT and BPT (HK) will be released upon the listing of the Company's shares of the Stock Exchange.
- (x) On 1 March 2010, New Horizon Investment, BPT, Mr. Lu and Mr. Zhang have provided corporate/personal guarantee to Rich Chest for the banking facilities of HK\$12,000,000 for five years. The management of the Group considered that the fair value of the financial guarantee provided by group entities is insignificant. As represented by the management of the Group, the financial guarantee to Rich Chest will be released upon the listing of the Company's shares on the Stock Exchange.
- (xi) On 4 November 2010, New Horizon Investment, BPT and Rich Chest have provided cross corporate guarantees to each other for the banking facilities of HK\$94,806,000 in addition to the corporate guarantee provided by BPT Holdings, Dongguan Runda and Dongguan BPT and personal guarantee provided by Mr. Lu. The banking facilities are available to New Horizon Investment, BPT and Rich Chest and any one of these entities can draw the facilities in full any time. The management of the Group considered that the fair value of the financial guarantees provided by group entities is insignificant. The banking facilities are replaced by the new facilities granted per note 44(xii).
- (xii) On 13 January 2011, New Horizon Investment, New Horizon Elastic, BPT, BPT (HK) and Rich Chest have provided cross corporate guarantees to each other for the banking facilities of HK\$94,415,000 in addition to the corporate guarantee provided by BPT Holdings, BPT International, Dongguan Runda, Dongguan BPT and Dongguan NHE and personal guarantee provided by Mr. Lu. The banking facilities are available to New Horizon Investment, New Horizon Elastic, BPT, BPT (HK) and Rich Chest and any one

of these entities can draw the facilities in full any time. The management of the Group considered that the fair value of the financial guarantees provided by group entities is insignificant. The banking facilities are replaced by the new facilities granted per note 44(xiii).

- (xiii) On 28 March 2011, which is renewed on 22 November 2011, New Horizon Investment, New Horizon Elastic, BPT, BPT (HK) and Rich Chest have provided cross corporate guarantees to each other for the banking facilities of HK\$108,885,000 regarding the facilities granted on 28 March 2011 and HK\$140,000,000 regarding the facilities granted on 22 November 2011 in addition to the corporate guarantee provided by BPT Holdings, BPT International, Dongguan Runda, Dongguan BPT and Dongguan NHE and personal guarantee provided by Mr. Lu. The banking facilities are available to New Horizon Investment, New Horizon Elastic, BPT, BPT (HK) and Rich Chest and any one of these entities can draw the facilities in full any time. The management of the Group considered that the fair value of the financial guarantees provided by group entities is insignificant. The banking facilities are terminated on 11 December 2012.
- (xiv) On 7 July 2009, BPT, Dongguan BPT and Dongguan Runda have provided corporate guarantees to Rich Chest for the banking facilities of HK\$12,000,000 for three years in addition to the personal guarantee provided by Mr. Lu. The management of the Group considered that the fair value of the financial guarantees provided by group entities is insignificant. The bank facilities are expired on 7 July 2012.

Save and except for the matters specified above, the Group does not have any litigations or claims, so far as the management is aware, are pending or threatened by or against any companies of the Group.

45. DISPOSAL OF A SUBSIDIARY

As referred to in note 2(b), the Group disposed of the entire equity interest in Deluxe Royal to Mr. Lu Huigen for a cash consideration of HK\$10,000 on 12 December 2013.

Analysis of assets and liabilities over which control was lost:

	As at 12 December 2013 <u>HK\$'000</u>
Other receivables	10
Other payables	<u>(23)</u>
Net liabilities disposed of	<u>(13)</u>
Gain on disposal of subsidiaries	
Cash consideration	10
Net liabilities disposed of	<u>13</u>
Gain on disposal	<u>23</u>
Net cash inflow arising on disposal:	
Cash consideration	<u>10</u>

During the Relevant Periods and prior to the disposal, the impact of Deluxe Royal on the Group's results and cash flows is insignificant.

46. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2011, 2012 and 2013, the Group entered into finance lease arrangements in respect of machineries with a total capital value at the inception of the respective leases of approximately HK\$125,286,000, HK\$49,465,000 and HK\$28,616,000, respectively.

47. RELATED PARTY TRANSACTIONS

Apart from transactions and amounts due from (to) directors, subsidiaries and related companies as set out in notes 27 and 28, the Group had the following related party transactions during the Relevant Periods:

(a)

<u>Nature of transaction</u>	<u>Year ended 31 December</u>		
	<u>2011</u>	<u>2012</u>	<u>2013</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
Sales of goods to Dongguan Colorlink, Dongguan Premium Fashion and Premium Fashion (note i)	<u>1,464</u>	<u>886</u>	<u>8,158</u>
Purchase of goods from Dongguan Colorlink, Dongguan Runda and Premium Fashion (note i)	<u>41,775</u>	<u>9,355</u>	<u>1,027</u>
Purchase of property, plant and equipment from Dongguan Colorlink, Rich Chest, Dongguan Runda and Mr. Lu (note i) . . .	<u>32,225</u>	<u>12,461</u>	<u>—</u>
Rental income from Premium Fashion (note i)	<u>—</u>	<u>116</u>	<u>254</u>
Rental expense in respect of rented premises to Mr. Lu (note ii) . . .	<u>3,392</u>	<u>3,497</u>	<u>3,586</u>
Rental expenses in respect of machineries to Rich Chest (note i) . .	<u>4,500</u>	<u>3,000</u>	<u>—</u>
Service fee to Machong Zhangying (note i)	<u>—</u>	<u>1,959</u>	<u>63</u>
Interest income from Premium Fashion (note i)	<u>—</u>	<u>895</u>	<u>—</u>

Notes:

(i) These related party transactions will be ceased prior to the listing of the shares of the Company.

(ii) These related party transactions will be continued after the listing of the shares of the Company.

(b) Compensation to key management personnel of the Group which represents directors of the Company is set out in note 13.

(c) As at 31 December 2011 and 2012, certain properties owned by Mr. Lu and Sun Home are pledged to banks as collaterals for the Group's bank borrowings and Mr. Lu, Mr. Zhang, Sun Home, Dongguan Runda and Rich Chest also provided guarantee on these bank borrowings. In addition, Mr. Lu, Mr. Zhang, Dongguan Runda and Sun Home provided guarantee to the unsecured bank borrowings of the Group as at 31 December 2011 and 2012.

As at 31 December 2013, Mr. Lu and Mr. Zhang provided guarantee on certain secured bank borrowings. Mr. Lu and Mr. Zhang provided guarantee to the unsecured bank borrowings of the Group as at 31 December 2013.

(d) Information of financial guarantees provided to related companies and cross guarantees between the group entities and related companies is set out in note 44.

- (e) During the year ended 31 December 2011, Dongguan BPT issued bank acceptance bills amounting to HK\$497,787,000 in favour of related companies who are controlled by Mr. Lu and another one was under significant influence of Mr. Wu before it was disposed by Mr. Wu in September 2013. The related companies endorsed these bank acceptance bills amounting to HK\$497,787,000 back to Dongguan BPT simultaneously. Dongguan BPT discounted the endorsed bills amounting to HK\$497,787,000 to banks. As at 31 December 2011, bank borrowings arising from this arrangement amounted to HK\$132,654,000 and are recognised as bills financing borrowings in note 33.

During the year ended 31 December 2012, Dongguan BPT issued bank acceptance bills amounting to HK\$198,521,000 in favour of three related companies, one is owned as to 50% by Mr. Lu, one is owned as to 50% by the spouse of Mr. Lu and another one was under significant influence of Mr. Wu before it was disposed by Mr. Wu in September 2013. The related companies endorsed these bank acceptance bills amounting to HK\$198,521,000 back to Dongguan BPT simultaneously. Dongguan BPT discounted the endorsed bills amounting to HK\$198,521,000 to banks. As at 31 December 2012, bank borrowings arising from this arrangement amounted to HK\$55,970,000 and are recognised as bills financing borrowings in note 33.

48. RESERVE OF THE COMPANY

	Accumulated loss
	HK\$'000
At 14 June 2013 (date of incorporation)	—
Loss and total comprehensive expense for the period	(6,454)
At 31 December 2013	<u>(6,454)</u>

(B) SUBSEQUENT EVENTS

- (a) Reorganisation

On 16 January 2014, the Reorganisation set out in note 2 was completed.

- (b) Increase of authorised and issued share capital

On 8 May 2014, the authorised share capital of the Company was increased from HK\$390,000 to HK\$500,000,000 by the creation of an additional 49,961,000,000 shares of HK\$0.01.

Pursuant to the written resolutions passed by the shareholders of the Company on 8 May 2014 conditional upon the share premium account of the Company being credited as a result of the Listing, the directors of the Company were authorised to capitalise the amount of HK\$7,488,300 from the amount standing to the credit of the share premium account of the Company to pay up in full at par 748,830,000 shares for allotment and issue to the person(s) whose name(s) appears on the register of members of the Company at the close of business on 8 May 2014, pro-rata to its/their then existing shareholdings in the Company.

(c) Share option schemes

On 8 May 2014, the Company has conditionally granted options to subscribe for shares of the Company under the pre-IPO share option scheme so as to subscribe for an aggregate of 26,470,000 shares of the Company, representing 2.65% of the enlarged issued share capital of the Company immediately following completion of the global offering and the capitalisation issue (assuming that the over-allotment option is not exercised and any options that have been granted under the pre-IPO share option scheme and the share option scheme have not been exercised) at an exercise price which is equal to 50% of the final offer price. The summary of the principal terms of the Company's share option schemes are disclosed in "Statutory and General Information — D. Pre-IPO Share Option Scheme and the Share Option Scheme" in Appendix V to this prospectus.

(C) SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Company or any of its subsidiaries have been prepared in respect of any period subsequent to 31 December 2013.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

The information set forth in this appendix does not form part of the accountants' report on the historical financial information of the Group (the "Accountants' Report") from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this prospectus, and is included herein for information only. The pro forma financial information should be read in conjunction with the section headed "Financial Information" and "Accountants' Report" set forth in Appendix I to this prospectus.

A. PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The following pro forma statement of adjusted combined tangible assets of the Group has been prepared by the directors of the Company in accordance with paragraph 4.29 of the Listing Rules to illustrate the effect of the Global Offering on the audited combined net tangible assets of the Group attributable to owners of the Company as if the Global Offering had taken place at 31 December 2013.

The pro forma statement of adjusted combined net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, may not give a true picture of the financial position of the Group had the Global Offering been completed at 31 December 2013 or any future date.

The pro forma statement of adjusted combined net tangible assets of the Group is based on the audited combined net tangible assets of the Group attributable to owners of the Company as at 31 December 2013 as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus, and adjusted as follows:

	Audited combined net tangible assets of the Group attributable to the owners of the Company as at 31 December 2013	Estimated net proceeds from the Global Offering	Pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company	Pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company per Share
	HK\$'000 (Note 1)	HK\$'000 (Note 2)	HK\$'000	HK\$ (Note 3)
Based on the Offer Price of HK\$1.85 per Share	<u>725,563</u>	<u>422,680</u>	<u>1,148,243</u>	<u>1.15</u>
Based on the Offer Price of HK\$2.50 per Share	<u>725,563</u>	<u>580,305</u>	<u>1,305,868</u>	<u>1.31</u>

Notes:

- (1) The audited combined net tangible assets of the Group attributable to owners of the Company as at 31 December 2013 is extracted from the Accountants' Report set out in "Appendix I — Accountants' Report".
- (2) The estimated net proceeds from the issue of our Shares pursuant to the Global Offering are based on 250,000,000 Shares at the Offer Price of lower limit and upper limit of HK\$1.85 and HK\$2.50 per Share, respectively, after deduction of the underwriting commissions and fees and other related fees (excluding approximately HK\$6,917,000 listing expenses which has been accounted for prior to 31 December 2013 paid/payable by the Company) assuming that the Over-allotment Option is not exercised. It does not take into account of any shares (i) which may be allotted and issued upon the exercise of any options which were granted under the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme or (ii) which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of Shares granted to the directors of the Company.
- (3) The pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company per Share is arrived at on the basis that 1,000,000,000 Shares were in issue assuming that the Global Offering and the Capitalisation Issue had been completed on 31 December 2013 and that the Over-allotment Option is not exercised. It does not take into account of any shares (i) which may be

allotted and issued upon the exercise of any options which were granted under the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme or (ii) which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of Shares granted to the directors of the Company.

- (4) The pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company does not take into account the effect of any trading result or other transaction of the Group entered into subsequent to 31 December 2013.
- (5) Based on the property valuation reports as of 31 March 2014 as set forth in “Appendix III — Property Valuation”, the property interests of the Group attributable to the owners of the Company had a revaluation surplus up to 31 March 2014 of approximately HK\$125.7 million, representing the excess of the market value of these properties (including investment properties, prepaid lease payments, buildings and construction in progress) over their carrying amounts to the extent attributable to owners of the Company. The pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company has not taken into account of the revaluation surplus of properties held for own use (including prepaid lease payments and buildings), nor will the Group incorporate the revaluation surplus in its future financial statements. If the revaluation surplus up to 31 March 2014 is to be incorporated in the Group’s future financial statements, additional annual depreciation and amortisation of approximately HK\$2.7 million (excluding tax impact) would be charged as expenses.

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION****TO THE DIRECTORS OF BEST PACIFIC INTERNATIONAL HOLDINGS LIMITED**

We have completed our assurance engagement to report on the compilation of pro forma financial information of Best Pacific International Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the pro forma statement of adjusted combined net tangible assets as at 31 December 2013 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated 13 May 2014 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described on pages II-1 to II-2 of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the Global Offering (as defined in the Prospectus) on the Group's financial position as at 31 December 2013 as if the Global Offering had taken place at 31 December 2013. 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 three years ended 31 December 2013, on which an accountant's report set out in Appendix I to the Prospectus has been published.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the 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 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 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 comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the 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 pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group 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 event or transaction at 31 December 2013 would have been as presented.

A reasonable assurance engagement to report on whether the 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 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 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 Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the 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 pro forma financial information has been properly compiled 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 pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
13 May 2014

The following is the text of a letter, summary of values and valuation certificate prepared for the purpose of incorporation in this prospectus received from Avista Valuation Advisory Limited, an independent property valuer, in connection with its valuation of the property interests of the Group as at 31 March 2014.



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Date : 13 May 2014

The Board of Directors
Best Pacific International Holdings Limited
8th Floor
West Gate Tower
7 Wing Hong Street
Lai Chi Kok
Kowloon

Dear Sirs,

INSTRUCTIONS

In accordance with the instructions to us to value property interests held by Best Pacific International Holdings Limited (the “Company”) and its subsidiaries (hereinafter together referred to as the “Group”) in the People’s Republic of China (the “PRC”) (details of the properties are more particularly listed in the Summary of Values of this report), 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 capital value of the property interests as at 31 March 2014 (the “valuation date”).

PREMISES OF VALUE

The valuation is our opinion of market value which is defined by the International Valuation Standards of the International Valuation Standards Council and followed by the Hong Kong Institute of Surveyors as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing where the parties had each acted knowledgeably, prudently and without compulsion”.

BASIS OF VALUATION

In valuing the property interests, we have complied with all the requirements contained in Chapter 5 of the Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited; and the HKIS Valuation Standards on Property (2012 Edition) published by the Hong Kong Institute of Surveyors and the International Valuation Standards published from time to time by the International Valuation Standards Council.

Our valuations exclude an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value or costs of sale and purchase or offset for any associated taxes.

CATEGORISATION OF PROPERTY INTERESTS

In the course of our valuation, the appraised property interests have been categorised according firstly to type of interests held by the Company, which in turn being classified into the following groups:

- Group I — Property interests held and occupied by the Group in the PRC
- Group II — Property interests held under development by the Group in the PRC
- Group III — Property interests held for investment by the Group in the PRC
- Group IV — Property interests rented and occupied by the Group in the PRC

VALUATION METHODOLOGY

In the course of our valuation, unless otherwise stated, we have valued the properties in their designated uses with the understanding that the properties will be used as such (hereafter referred to as “continued uses”).

Due to the specific nature and uses of the buildings and structures of the property interests in Group I and Group II that were designated and constructed and the particular location in which they are situated, there are unlikely relevant market comparable sales readily available. Save and except the leased out portion, the property interests have been valued on the basis of depreciated replacement cost.

We would define “depreciated replacement cost” to be our opinion of the market value of the land for its existing use and an estimate of the new replacement costs of the buildings, structures and other site works, including fees and finance charges, from which deductions are then made to allow for the age, condition and obsolescences. The depreciated replacement cost approach generally provides the most reliable indication of value for property in the absence of a known market based on comparable sales. However, it is subject to adequate potential profitability of the business having due regard to the value of the total assets employed and the nature of the operation and also the assumption of continued uses.

We have valued the property interests in Group III by investment method taking into account of the rental income of the leased portion derived from the existing tenancy with due allowance for the reversionary income potential of the tenancy, which is then capitalised into the value at an appropriate capitalisation rate.

We have attributed no commercial value to the property interests in Group IV which is held by the Group under various leases in the PRC. We are of the opinion that no commercial value is attributable to the Group in respect of such property interests, due to inclusion of non-alienation clause or otherwise due to the lack of substantial profit rents and short-term nature of such interests.

TITLE INVESTIGATION

We have been provided by the Group with copy of extract of the title documents and tenancy agreements relating to the property interests. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrances that might be attached to the property interests or any amendments which may not appear on the copies handed to us.

However, we have not searched the original documents to verify ownership or to ascertain any amendment. Due to the current registration system of the PRC under which the registration information is not accessible to the public, no investigation has been made for the title of the property interests in the PRC and the material encumbrances that might be attached. In the course of our valuation, we have relied considerably on the legal opinion given by the Company's PRC legal adviser — 競天公誠律師事務所 (Jingtian & Gongcheng), concerning the validity of title and tenancy of the properties in the PRC.

SITE INVESTIGATION

We have inspected the exterior and, where possible, the accessible portions of the interior of the properties being appraised. The inspection was carried out by Sr Oswald W Y Au, MHKIS (GP) AAPI RPS (GP) and Sr Bosco P F Cheung, MRICS, during the period from August to December in 2013. However, we have not been commissioned to carry out structural survey nor to arrange for an inspection of the services. We are, therefore, not able to report whether the properties are free of rot, infestation or any other structural defects. We formulate our view as to the overall conditions of the properties taking into account the general appearance, the apparent standard and age of fixtures and fittings and the existence of utility services. Hence it must be stressed that whilst we have had regard to you with a view as to whether the buildings are free from defects or as to the possibility of latent defects which might affect our valuation. In the course of our inspection, we did not note any serious defects. No tests were carried out on any of the services. We have assumed that utility services, such as electricity, telephone, water, etc., are available and free from defect.

We have not arranged for any investigation to be carried out to determine whether or not high alumina cement concrete or calcium chloride additive or pulverized fly ash, or any other deleterious material has been used in the construction of the properties. We are therefore unable to report that the properties are free from risk in this respect. For the purpose of this valuation, we have assumed that deleterious material has not been used in the construction of the properties.

We have not been commissioned to carry out detailed site measurements to verify the correctness of the land or building areas in respect of the properties but have assumed that the areas provided to us are correct. Based on our experience of valuation of similar properties, we consider the assumptions so made to be reasonable.

Moreover, we have not carried out any site investigation to determine the suitability of the ground conditions or the services for any property development erected or to be erected thereon. Nor did we undertake archaeological, ecological or environmental surveys for the property interests. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period. Should it be discovered that contamination, subsidence or other latent defects exists in the properties or on adjoining or neighbouring land or that the properties had been or are being put to contaminated use, we reserve right to revise our opinion of value.

We have not investigated any industrial safety, environmental and health related regulations in association with the existing and/or planned manufacturing process. It is assumed that all necessary licences, procedures and measures were implemented in accordance with the Government legislation and guidance.

SOURCE OF INFORMATION

Unless otherwise stated, we shall rely to a considerable extent on the information provided to us by the Group or the legal or other professional advisers on such matters as statutory notices, planning approval, zoning, easements, tenure, completion date of building, development proposal, identification of property, particulars of occupation, site areas, floor areas, matters relating to tenure, tenancies and all other relevant matters. Dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us and are therefore approximations and for reference only. We have not searched original plans, developer brochures and the like to verify them.

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 Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view and we have no reason to suspect that any material information has been withheld.

VALUATION ASSUMPTIONS

For the properties which are held under long term land use rights, we have assumed that transferable land use rights in respect of the property interests at nominal land use fees has been granted and that any premium payable has already been fully settled. Unless stated as otherwise, we have assumed that the respective title owner of the properties have an enforceable title of the property interests and have free and uninterrupted rights to occupy, use, sell, lease, charge, mortgage or otherwise dispose of the properties without the need of seeking further approval from and paying additional premium to the Government for the unexpired land use term as granted. Unless noted in the report, vacant possession is assumed for the property concerned.

Moreover, we have assumed that the design and construction of the properties are / will be in compliance with the local planning regulations and requirements and had been / would have been duly examined and approved by the relevant authorities.

Continued uses assumes the properties will be used for the purposes for which the properties are designed and built, or to which they are currently adapted. The valuation on the property in continued uses does not represent the amount that might be realised from piecemeal disposition of the property in the open market.

No environmental impact study has been ordered or made. Full compliance with applicable national, provincial and local environmental regulations and laws is assumed. Moreover, it is assumed that all required licences, consents or other legislative or administrative authority from any local, provincial or national government or private entity or organisation either have been or can be obtained or renewed for any use which the report covers.

It is also assumed that all applicable zoning and use regulations and restrictions have been complied with unless nonconformity has been stated, defined and considered in the valuation

report. In addition, it is assumed that the utilisation of the land and improvements are within the boundaries of the properties described and that no encroachment or trespass exists, unless noted in the report.

No allowance has been made in our report for any charges, mortgages or amounts owing on any of the property interests valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

We have further assumed that the properties were not transferred or involved in any contentious or non-contentious dispute as at the valuation date. We have also assumed that there was not any material change of the properties in between dates of our inspection and the valuation date.

LIMITING CONDITIONS

Wherever the content of this report is extracted and translated from the relevant documents supplied in Chinese context and there are discrepancies in wordings, those parts of the original documents will take prevalent.

CURRENCY

Unless otherwise stated, all amounts are denominated in Renminbi (RMB). Our valuations are summarised below and the valuation certificates are attached.

Yours faithfully
For and on behalf of
Avista Valuation Advisory Limited
Sr Oswald W Y Au
MHKIS (GP) AAPI MSc(RE)
Registered Professional Surveyor (GP)
Director

Note: Mr. Oswald W Y Au holds a Master's Degree of Science in Real Estate from the University of Hong Kong. He is also a member of Hong Kong Institute of Surveyors (General Practice) and Associate Member of Australian Property Institute. In addition, he is a Registered Professional Surveyor (General Practice) registered with Surveyors Registration Board. He has about 7 years' experience in the valuation of properties in the PRC and 10 years of property valuation experience in Hong Kong, the U.S., Canada, East and Southeast Asia and Mongolia.

Summary of Values

Group I : Property interests held and occupied by the Group in the PRC

Property	Capital value in existing state as at 31 March 2014 RMB	Interest attributable to the Group	Capital value in existing state attributable to the Group as at 31 March 2014 RMB
1. A parcel of land with various buildings and structures located at Jin Gang Road, Xin Sha Port Industrial Zone, Maer Village, Machong Town, Dongguan City, Guangdong Province, the PRC	333,000,000	100%	333,000,000
Sub-total :	<u>333,000,000</u>		<u>333,000,000</u>

Group II: Property interests held under development by the Group in the PRC

Property	Capital value in existing state as at 31 March 2014 RMB	Interest attributable to the Group	Capital value in existing state attributable to the Group as at 31 March 2014 RMB
2. A parcel of land with structures located at Jin Gang Road, Xin Sha Port Industrial Zone, Masi Village, Machong Town, Dongguan City, Guangdong Province, the PRC	112,000,000	100%	112,000,000
Sub-total :	<u>112,000,000</u>		<u>112,000,000</u>

Group III: Property interests held for investment by the Group in the PRC

Property	Capital value in existing state as at 31 March 2014 RMB	Interest attributable to the Group	Capital value in existing state attributable to the Group as at 31 March 2014 RMB
3. No. 3 Kehui Street One, Kexue Avenue, Science Park, Guangzhou City, Guangdong Province, the PRC	57,000,000	100%	57,000,000
Sub-total :	<u>57,000,000</u>		<u>57,000,000</u>

Group IV: Property interests rented and occupied by the Group in the PRC

Property	Capital value in existing state as at 31 March 2014	Interest attributable to the Group	Capital value in existing state attributable to the Group as at 31 March 2014
	RMB		RMB
4. Two buildings located at Dabu Village, Machong Town, Dongguan City, Guangdong Province, the PRC	No commercial value	—	No commercial value
5. The 2nd, 3rd, 4th and 5th Floors of a building located at Dabu Village, Machong Town, Dongguan City, Guangdong Province, the PRC	No commercial value	—	No commercial value
6. The 1st, 2nd, 3rd, 4th and 5th Floors of a building located at Zhangpengyi Road, Zhangpeng Village, Machong Town, Dongguan City, Guangdong Province, the PRC	No commercial value	—	No commercial value
7. An industrial complex located at Baihao Industrial Zone, Houjie Town, Dongguan City, Guangdong Province, the PRC	No commercial value	—	No commercial value
8. Various buildings within an industrial complex located at Baihao Industrial Zone, Houjie Town, Dongguan City, Guangdong Province, the PRC	No commercial value	—	No commercial value
9. Two buildings within an industrial complex located at Baihao Industrial Zone, Houjie Town, Dongguan City, Guangdong Province, the PRC	No commercial value		No commercial value
10. An industrial complex located at Jinzhou Industrial Zone, Humen Town, Dongguan City, Guangdong Province, the PRC	No commercial value	—	No commercial value
11. Unit 1001, No. 47 Jingkou Road, Licang District, Qingdao City, Shandong Province, the PRC	No commercial value	—	No commercial value
Sub-total :	No commercial value	—	No commercial value
Grand-total :	<u>502,000,000</u>		<u>502,000,000</u>

VALUATION CERTIFICATES

Group I: Property interests held and occupied by the Group in the PRC

Property	Description and tenure	Particular of occupancy	Capital value in existing state as at 31 March 2014
1. A parcel of land with various buildings and structures located at Jingang Road, Xin Sha Port Industrial Zone, Maer Village, Machong Town, Dongguan City, Guangdong Province, the PRC	<p>The property comprises a piece of land with a site area of approximately 101,728.00 sq.m.. It had been erected with an industrial complex which was completed by 4 phases in the period from 2008 to 2012.</p> <p>The property is situated on the north of Jingang Road (Xibugan Road) near its junction with S3 Guangshenyanjiang Highway. The immediate locality is generally rural in nature intermingled with clusters of industrial complexes.</p> <p>The industrial complex mainly consists of a block of partly 3-storey and partly single storey workshop with ancillary office (Phase 1), a 6-storey workshop (Phase 2), a 7-storey workshop (Phase 3), a 7-storey workshop (Phase 4), 2 sewage plants, 2 boiler rooms, a machine room, a mechanical repairing room, 2 guard houses, a shed for coal deposit, 2 sheds for waste material deposit, open carparking spaces, landscaping areas and fencing walls.</p> <p>In accordance with 4 building ownership certificates, the buildings on the property extend to a total registered gross floor area of approximately 136,200.56 sq.m.</p>	<p>A portion of the machine room of the property with an area of approximately 60 sq.m. is leased to 中國移動通信集團廣東有限公司 東莞分公司 (China Mobile Group Guangdong Company Limited, Dongguan Branch), an independent third party to the Group, for a term of 10 years commencing from 20 October 2004 at a monthly rent of RMB 2,500 (exclusive of utility charges).</p> <p>A portion of the workshop of the property with an area of approximately 20,286 sq.m. is leased to 東莞潤信彈性織物有限公司 麻涌分公司 (Dongguan New Horizon Elastic Fabric Company Limited, Machong Branch), an indirect wholly-owned subsidiary of the Company, for a term of 3 years commencing from 1 January 2014 and expiring on 31 December 2016 at a monthly rent of RMB 162,288 (exclusive of utility charges).</p> <p>The remainder of the property was occupied by the Group for production, storage, ancillary office uses and carparking as at the valuation date.</p>	RMB333,000,000

Property	Description and tenure	Particular of occupancy	Capital value in existing state as at 31 March 2014
	Pursuant to the subject state-owned land use rights certificate dated 20 June 2005, the term of land use rights of the property is till 28 March 2055.		
	The permitted user of the land is for industrial use.		

Notes:

Ownership of the property

1. In accordance with the legal opinion provided by the Company's PRC legal adviser, the owner of the property as at the valuation date was 東莞超盈紡織有限公司 (Dongguan Best Pacific Textile Company Limited), an indirect wholly-owned subsidiary of the Company.

Interests held by the Company in the property

2. The land use rights of the property is held under a state-owned land use rights certificates issued by 東莞市人民政府 (Dongguan City Municipal Government) to Dongguan Best Pacific Textile Company Limited.

According to 東府國用 (2005) 第特 655 號 (State-owned Land Use Rights Certificate No. 655 of 2005) dated 20 June 2005, the property having a site area of 101,728.00 sq.m. is held by Dongguan Best Pacific Textile Company Limited via an assignment grant and subject to, inter alia, the following terms:

- | | | | |
|-----|-----------------|---|--------------------|
| (a) | Use of the Land | : | Industrial |
| (b) | Land Area | : | 101,728.00 sq.m. |
| (c) | Term | : | till 28 March 2055 |

3. The building title of the property is held under 4 building ownership certificates issued by 廣東省人民政府 (Guangdong Province Municipal Government) and 東莞市房產管理局 (Dongguan City Building Asset Management Bureau) respectively to Dongguan Best Pacific Textile Company Limited.

According to the 粵房地証字第 C6943979 號 (Building Ownership Certificate No. C6943979) issued by Guangdong Province Municipal Government registered on 30 March 2009, the legitimate owner of the following building erected on the property is Dongguan Best Pacific Textile Company Limited:

Structure Type	No. of Storey	Gross Floor Area (sq.m.)
Mixed steel and concrete	2	23,989.09

According to the 粵房地証字第 C6943978 號 (Building Ownership Certificate No. C6943978) issued by Guangdong Province Municipal Government registered on 30 March 2009, the legitimate owner of the following building erected on the property is Dongguan Best Pacific Textile Company Limited:

<u>Structure Type</u>	<u>No. of Storey</u>	<u>Gross Floor Area (sq.m.)</u>
Mixed steel and concrete	6	31,132.96

According to the 粵房地權証莞字第 0900438897 號 (Building Ownership Certificate No. 0900438897) issued by Dongguan City Building Asset Management Bureau registered on 12 November 2012, the legitimate owner of the following building erected on the property is Dongguan Best Pacific Textile Company Limited:

<u>Structure Type</u>	<u>No. of Storey</u>	<u>Gross Floor Area (sq.m.)</u>
Mixed steel and concrete	6	33,383.56

According to the 粵房地權証莞字第 0900541539 號 (Building Ownership Certificate No. 0900541539) issued by Dongguan City Building Asset Management Bureau registered on 1 August 2013, the legitimate owner of the following building erected on the property is Dongguan Best Pacific Textile Company Limited:

<u>Structure Type</u>	<u>No. of Storey</u>	<u>Gross Floor Area (sq.m.)</u>
Mixed steel and concrete	7	47,694.95

The total gross floor area of the buildings of the property is approximately 136,200.56 sq.m.

4. In accordance with the above-mentioned building ownership certificates, the top floor of Phase 1 and the top floor of Phase 3 with a total gross floor area of approximately 3,160 sq.m. ("Additional Portions") are not included and have not obtained any proper title certificates. In this regard, we have attributed no commercial value to the Additional Portions.

PRC legal opinion

5. We have been provided with a legal opinion regarding the legality of title of the property issued by PRC legal adviser, which contains, inter alia, the followings:
 - The Additional Portions are temporary structures in nature.
 - The property is free from material encumbrances.
 - Dongguan Best Pacific Textile Company Limited has the rights to lease out the subject portion of the property. The subject tenancy agreements are legal, valid and enforceable to both parties.
 - The subject tenancy agreements have been registered with the relevant government authority.

Land use zoning of the property

6. In accordance with the above-mentioned state-owned land use rights certificates dated 20 June 2005, the permitted user of the property is industrial.

Status of major document relating to legality of the Company and property

7. The status of the title and grant of major approvals in accordance with the information provided by the Group are as follows:

Documents relating to property title :

State-owned Land Use Rights Certificate	Yes
Building Ownership Certificates	Yes

Group II: Property interests held under development by the Group in the PRC

	Property	Description and tenure	Particular of occupancy	Capital value in existing state as at 31 March 2014								
2.	A parcel of land with structures located at Jin Gang Road, Xin Sha Port Industrial Zone, Masi Village, Machong Town, Dongguan City, Guangdong Province, the PRC	<p>The property comprises a piece of land with a site area of approximately 58,305.20 sq.m. and 2 industrial blocks and various structures which were being constructed thereon as at the valuation date.</p> <p>The property is situated on the north of Jingang Road (Xibugan Road) near its junction with S3 Guangshenyanjiang Highway. The immediate locality is generally rural in nature intermingled with clusters of industrial complexes.</p> <p>The development on the property is scheduled to be completed in 2 phases in 2014. Upon completion, the buildings on the property will have a total gross floor area of approximately 70,433.12 sq.m. and the details are set out as follows:</p> <table><tr><th>Phase</th><th>Planned Gross Floor Area (sq.m.)</th></tr><tr><td>5</td><td>35,575.16</td></tr><tr><td>6</td><td>34,857.96</td></tr><tr><td>Total:</td><td>70,433.12</td></tr></table>	Phase	Planned Gross Floor Area (sq.m.)	5	35,575.16	6	34,857.96	Total:	70,433.12	The property was under development as at the valuation date.	RMB112,000,000
Phase	Planned Gross Floor Area (sq.m.)											
5	35,575.16											
6	34,857.96											
Total:	70,433.12											

Property	Description and tenure	Particular of occupancy	Capital value in existing state as at 31 March 2014
	As advised by the Group, the total construction cost for Phase 5 is estimated to be approximately RMB90,000,000, of which RMB89,000,000 had been paid as at the valuation date.		
	Development of Phase 5 was in the stage of 99% completion while Phase 6 was a vacant land as at the valuation date.		
	Pursuant to the subject state-owned land use rights certificate dated 25 January 2011, the term of land use rights of the property is till 18 December 2060.		
	The permitted user of the land is for industrial use.		

Notes:

Ownership of the property

1. In accordance with the legal opinion provided by the Company's PRC legal adviser, the owner of the property as at the valuation date, was 東莞超盈紡織有限公司 (Dongguan Best Pacific Textile Company Limited), an indirect wholly-owned subsidiary of the Company.

Interests held by the Company in the property

2. The land use rights of the property is held under a state-owned land use rights certificates issued by 東莞市人民政府(Dongguan City Municipal Government) to Dongguan Best Pacific Textile Company Limited.

According to 東府國用(2011)第特17號 (State-owned Land Use Rights Certificate No. 17 of 2011) dated 25 January 2011, the property having a site area of 58,305.20 sq.m. is held by Dongguan Best Pacific Textile Company Limited via an assignment grant and subject to, inter alia, the following terms:

- | | | | |
|-----|-----------------|---|-----------------------|
| (a) | Use of the Land | : | Industrial |
| (b) | Land Area | : | 58,305.20 sq.m. |
| (c) | Term | : | till 18 December 2060 |

3. Pursuant to 建設用地規劃批准書 2010-06-011 (Construction Land Planning Permit No. 2010-06-011) dated 24 August 2010 issued by 東莞市城鄉規劃局 (City Construction and Planning Bureau of Dongguan City), permission towards the planning of the property with a site area of approximately 58,305.20 sq.m. has been granted to Dongguan Best Pacific Textile Company Limited.
4. Pursuant to (建設工程規劃許可証建字第 2011-06-1039 號 (Construction Work Planning Permit No. 2011-06-1039) dated 29 August 2011 issued by 東莞市城鄉規劃局 (Urban and Rural Planning Bureau of Dongguan City) to Dongguan Best Pacific Textile Company Limited, a 6-storey building (Phase 5) with a gross floor area of approximately 35,575.16 sq.m. has been approved for construction.
5. Pursuant to 建設工程規劃許可証建字第 2011-06-1040 號 (Construction Work Planning Permit No. 2011-06-1040) dated 29 August 2011 issued by 東莞市城鄉規劃局 (Urban and Rural Planning Bureau of Dongguan City) to Dongguan Best Pacific Textile Company Limited, a 6-storey building (Phase 6) with a gross floor area of approximately 34,857.96 sq.m. has been approved for construction.
6. Pursuant to 建築工程施工許可証 4419002012033101201 (Construction Work Commencement Permit No. 4419002012033101201) dated 31 March 2012 issued by 東莞市住房和城鄉建設局 (Housing and Urban Construction Bureau of Dongguan City), permission by the relevant local authority was given to commence the construction work of a 6-storey building (Phase 5) with a gross floor area of approximately 35,575.16 sq.m.

PRC legal opinion

7. We have been provided with a legal opinion regarding the legality of title of the property issued by PRC legal adviser, which contains, inter alia, the followings:
 - Dongguan Best Pacific Textile Company Limited has obtained the relevant certificates and approval from the government in respect of the construction of Phase 5 of the property.
 - Construction of Phase 6 of the property can be commenced upon the grant of relevant Construction Work Commencement Permit.
 - The property is, inter alia, subject to a mortgage in favour of Hang Seng Bank (China) Limited, Dongguan branch.

Land use zoning of the property

8. In accordance with the above-mentioned state-owned land use rights certificates dated 25 January 2011, the permitted user of the property is industrial.

Status of major document relating to legality of the Company and property

9. The status of the title and grant of major approvals in accordance with the information provided by the Group are as follows:

Documents relating to property title :

State-owned Land Use Rights Certificate	Yes
Construction Land Planning Permit	Yes
Construction Work Planning Permit	Yes
Construction Work Commencement Permit	Yes

Group III: Property interests held for investment by the Group in the PRC

Property	Description and tenure	Particular of occupancy	Capital value in existing state as at 31 March 2014
3. No. 3 Kehui Street One, Kexue Avenue, Science Park, Guangzhou City, Guangdong Province, the PRC	<p>The property comprises a piece of land with a site area of approximately 1,013.24 sq.m. It had been erected with a 9-storey office building which is of reinforced concrete construction with curtain walling external elevation and was completed in about 2011.</p> <p>The property is situated on the north of Kexueda Road at its junction with Kezhu Road. The immediate locality is a mixed commercial and industrial area.</p> <p>In accordance with 9 real estate ownership certificates all registered on 17 October 2011, the building on the property extends to a total registered gross floor area of approximately 4,553.84 sq.m.</p> <p>Pursuant to the above-mentioned certificates, the property is held for a term of 50 years commencing from 3 August 2009.</p> <p>The permitted user of the land is for office use.</p>	<p>A portion of the building of the property with a gross floor area of approximately 447.12 sq.m. is leased to 廣州市質品服飾有限公司 (Bouthentique), an independent third party to the Group, for a term of 5 years commencing on 1 July 2012 at a monthly rent of RMB15,649.2 for the first year with an increment of 8% each year for the remaining term, exclusive of management fee, charges for water and electricity and other outgoing charges.</p> <p>The remainder of the property was occupied by the Group for office uses as at the valuation date.</p>	RMB57,000,000

Notes:

Ownership of the property

- In accordance with the legal opinion provided by the Company's PRC legal adviser, the owner of the property as at the valuation date, was 東莞超盈紡織有限公司 (Dongguan Best Pacific Textile Company Limited), an indirect wholly-owned subsidiary of the Group.

Interests held by the Company in the property

2. Pursuant to 9 Real Estate Ownership Certificates (粵房地權証穗字第 0520019909 號 0520019913 號 0520019917 號 0520019919 號 0520019922 號 0520019924 號 0520019926 號 0520019932 號及 0520019936 號) all issued by Guangzhou Municipal Land Resources and Housing Administrative Bureau and registered on 17 October 2011, the land use right of the property with a site area of approximately 1,013.24 sq.m. is held by Dongguan Best Pacific Textile Company Limited for a term of 50 years commencing from 3 August 2009 for office use.
3. According to the above-mentioned 9 Real Estate Ownership Certificates, the legitimate owner of the following building erected on the property is Dongguan Best Pacific Textile Company Limited:

Real Estate Ownership Certificate No.	Structure Type	Portion of the Building	Gross Floor Area (sq.m.)
0520019909	Mixed steel and concrete	101 (G/F)	447.12
0520019913	Mixed steel and concrete	201 (1/F)	513.34
0520019917	Mixed steel and concrete	301 (2/F)	513.34
0520019919	Mixed steel and concrete	401 (3/F)	513.34
0520019922	Mixed steel and concrete	501 (4/F)	513.34
0520019924	Mixed steel and concrete	601 (5/F)	513.34
0520019925	Mixed steel and concrete	701 (6/F)	513.34
0520019932	Mixed steel and concrete	801 (7/F)	513.34
0520019936	Mixed steel and concrete	901 (8/F)	513.34
Total Gross Floor Area			<u>4,553.84</u>

PRC legal opinion

4. We have been provided with a legal opinion regarding the legality of title of the property issued by PRC legal adviser, which contains, inter alia, the followings:
- The property is, inter alia, subject to a mortgage in favour of DBS Bank (China) Limited — Dongguan branch.
 - Dongguan Best Pacific Textile Company Limited has the rights to lease out the subject portion of the property. The subject tenancy agreement is legal, valid and enforceable to both parties.
 - The subject tenancy agreement has been registered with the relevant government authority.

Land use zoning of the property

5. In accordance with the above-mentioned Real Estate Ownership Certificates, the permitted user of the property is for office use.

Status of major document relating to legality of the Company and property

6. The status of the title and grant of major approvals in accordance with the information provided by the Group are as follows:

Documents relating to property title :

Real Estate Ownership Certificates	Yes
------------------------------------	-----

Date and cost of original acquisition

7. We have been informed that the Group has acquired the property via 9 Agreements for Pre-Sale and Purchase (廣州市商品房買賣合同 (預售) 編號 201004136798, 201004136956, 201004137004, 201004137155, 201004137366, 201004137385, 201004137411, 201004137464, 201004137543) all dated 14 April 2010 at a total consideration of RMB 46,450,753.

Group IV: Property interests rented and occupied by the Group in the PRC

Property	Description and tenure	Particular of occupancy	Capital value in existing state as at 31 March 2014
4. Two buildings located at Dabu Village, Machong Town, Dongguan City, Guangdong Province, the PRC	<p>The property comprises two 7-storey residential buildings completed in about 2005.</p> <p>The property has a total gross floor area of approximately 4,500 sq.m.</p> <p>The property is situated near Chuangxingsi Road and Yanjiangdonger Road. The immediate locality is generally a residential area.</p> <p>The property is leased to 東莞潤信彈性織物有限公司麻涌分公司 (Dongguan New Horizon Elastic Fabric Company Limited, Machong Branch) from 莫校君 (Mo Xiao Jun) for a term of 1 year commencing from 1 August 2013 and expiring on 31 July 2014.</p>	The property was occupied by the Group for staff quarters uses as at the valuation date.	No commercial value

Notes:

- By a tenancy agreement dated 25 June 2013 made between 莫校君 (Mo Xiao Jun), an independent third party to the Group, as the landlord, and 東莞潤信彈性織物有限公司麻涌分公司 (Dongguan New Horizon Elastic Fabric Company Limited, Machong Branch), an indirect wholly-owned subsidiary of the Company, as the tenant, the property is leased to the Group for a term of 1 year commencing from 1 August 2013 and expiring on 31 July 2014 at a monthly rent of RMB45,000 exclusive of management fee and charges for water and electricity.
- We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisers, which contains, inter alia, the following:
 - Since the relevant documents in relation to land use rights and building title were not provided by the landlord for review, the subject tenancy agreement may be invalid and unenforceable under the PRC law.
 - The subject tenancy agreement has been registered with the relevant government authority.

	Property	Description and tenure	Particular of occupancy	Capital value in existing state as at 31 March 2014
5.	The 2nd, 3rd, 4th and 5th Floors of a building located at Dabu Village, Machong Town, Dongguan City, Guangdong Province, the PRC	<p>The property comprises the 2nd, 3rd, 4th and 5th Floors of a 5-storey residential building completed in about 2006.</p> <p>The property has a total gross floor area of approximately 2,300 sq.m.</p> <p>The property is situated near Machongda Road and Yanjiangdonger Road. The immediate locality is generally a residential area.</p> <p>The property is leased to 東莞超盈紡織有限公司 (Dongguan Best Pacific Textile Company Limited) from 吳華暄 (Wu Hua Xuan) for a term expiring on 31 August 2014.</p>	The property was occupied by the Group for staff quarters uses as at the valuation date.	No commercial value

Notes:

1. By a tenancy agreement made between 吳華暄 (Wu Hua Xuan), an independent third party to the Group, as the landlord, and 東莞超盈紡織有限公司 (Dongguan Best Pacific Textile Company Limited), an indirect wholly-owned subsidiary of the Company, as the tenant, the property is leased to the Group for a term expiring on 31 August 2014 at a monthly rent of RMB23,000 exclusive of management fee and charges for water and electricity.
2. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisers, which contains, inter alia, the following:
 - Since the relevant documents in relation to land use rights and building title were not provided by the landlord for review, the subject tenancy agreement may be invalid and unenforceable under the PRC law.
 - The subject tenancy agreement has been registered with the relevant government authority.

	Property	Description and tenure	Particular of occupancy	Capital value in existing state as at 31 March 2014
6.	The 1st, 2nd, 3rd, 4th and 5th Floors of a building located at Zhangpengyi Road, Zhangpeng Village, Machong Town, Dongguan City, Guangdong Province, the PRC	<p>The property comprises the 1st, 2nd, 3rd, 4th and 5th Floors of an 8-storey residential building completed in about 2007.</p> <p>The property has a total gross floor area of approximately 5,829.12 sq.m.</p> <p>The property is situated near Zhangpengyi Road and Mazhanggong Road. The immediate locality is generally a residential area.</p> <p>The property is leased to 東莞超盈紡織有限公司 (Dongguan Best Pacific Textile Company Limited) from 東莞市麻涌鎮漳澎股份經濟聯合社 (Dongguan City Machong Town Zhangpeng Economic Share Cooperative) for a term of 1 year commencing from 1 January 2014 and expiring on 31 December 2014.</p>	The property was occupied by the Group for staff quarters uses as at the valuation date.	No commercial value

Notes:

- By a tenancy agreement made between 東莞市麻涌鎮漳澎股份經濟聯合社 (Dongguan City Machong Town Zhangpeng Economic Share Cooperative), an independent third party to the Group, as the landlord, and 東莞超盈紡織有限公司 (Dongguan Best Pacific Textile Company Limited), an indirect wholly-owned subsidiary of the Company, as the tenant, the property is leased to the Group for a term of 1 year commencing from 1 January 2014 and expiring on 31 December 2014 at a monthly rent of RMB69,949.44 exclusive of management fee and charges for water and electricity.
- We have been provided with a legal opinion on the legality of the tenancy agreement(s) to the property issued by the Company's PRC legal advisers, which contains, inter alia, the following:
 - Since the relevant documents in relation to land use rights and building title were not provided by the landlord for review, the subject tenancy agreement may be invalid and unenforceable under the PRC law.
 - The subject tenancy agreement has been registered with the relevant government authority.

	Property	Description and tenure	Particular of occupancy	Capital value in existing state as at 31 March 2014
7.	An industrial complex located at Baihao Industrial Zone, Houjie Town, Dongguan City, Guangdong Province, the PRC	The property comprises a 4-storey workshop, the first floor of a 5-storey staff quarters and a single storey storage and was completed in about 2006.	The property was occupied by the Group for production and staff quarters uses as at the valuation date.	No commercial value
		The property has a total gross floor area of approximately 24,750 sq.m.		
		The property is situated near Huancunbei Road and Guantai Road. The immediate locality is generally an industrial area.		
		The property is leased to 東莞潤信彈性織物有限公司 (Dongguan New Horizon Elastic Fabric Company Limited) from 東莞市厚街鎮白濠社區居民委員會 (Residents Committee of Houjie Town in Dongguan City) for a term of 3 years commencing from 1 January 2014 and expiring on 31 December 2016.		

Notes:

1. By a tenancy agreement dated 1 January 2014 made between 東莞市厚街鎮白濠社區居民委員會 (Residents Committee of Houjie Town in Dongguan City), an independent third party to the Group, as the landlord, and 東莞潤信彈性織物有限公司 (Dongguan New Horizon Elastic Fabric Company Limited), an indirect wholly-owned subsidiary of the Company, as the tenant, the property is leased to the Group for a term of 3 years commencing from 1 January 2014 and expiring on 31 December 2016 at a monthly rent of RMB289,800 exclusive of management fee and charges for water and electricity.
2. We have been provided with a legal opinion on the legality of the tenancy agreement(s) to the property issued by the Company's PRC legal advisers, which contains, inter alia, the following:
 - Since the relevant documents in relation to land use rights and building title were not provided by the landlord for review, the subject tenancy agreement may be invalid and unenforceable under the PRC law.
 - The subject tenancy agreement has not been registered with the relevant government authority. However, it will not affect its validity.

	Property	Description and tenure	Particular of occupancy	Capital value in existing state as at 31 March 2014
8.	Various buildings within an industrial complex located at Baihao Industrial Zone, Houjie Town, Dongguan City, Guangdong Province, the PRC	<p>The property comprises a 5-storey office, a 2-storey workshop and a 4-storey workshop and was completed in 1990s.</p> <p>The property has a total gross floor area of approximately 10,370 sq.m.</p> <p>The property is situated near Guantai Road and Baihao Industrial Road. The immediate locality is generally an industrial area.</p> <p>The property is leased to 東莞潤信彈性織物有限公司 (Dongguan New Horizon Elastic Fabric Company Limited) from 盧煜光 (Lu Yuguang) for a term of 3 years commencing from 1 January 2014 and expiring on 31 December 2016.</p>	The property was occupied by the Group for production and office uses as at the valuation date.	No commercial value

Notes:

1. By a tenancy agreement dated 1 January 2014 made between 盧煜光 (Lu Yuguang), a related party to the Group, as the landlord, and 東莞潤信彈性織物有限公司 (Dongguan New Horizon Elastic Fabric Company Limited), an indirect wholly-owned subsidiary of the Company, as the tenant, the property is leased to the Group for a term of 3 years commencing from 1 January 2014 and expiring on 31 December 2016 at a monthly rent of RMB108,885 exclusive of management fee and charges for water and electricity.
2. We have been provided with a legal opinion on the legality of the tenancy agreement(s) to the property issued by the Company's PRC legal advisers, which contains, inter alia, the following:
 - 盧煜光 (Lu Yuguang) has the rights to lease out the subject portion of the property. The subject tenancy agreement is legal, valid and enforceable to both parties.
 - The subject tenancy agreement has been registered with the relevant government authority.

	Property	Description and tenure	Particular of occupancy	Capital value in existing state as at 31 March 2014
9.	Two buildings within an industrial complex located at Baihao Industrial Zone, Houjie Town, Dongguan City, Guangdong Province, the PRC	<p>The property comprises two 5-storey staff quarters and was completed in 1990s.</p> <p>The property has a total gross floor area of approximately 7,000 sq.m.</p> <p>The property is situated near Guantai Road and Baihao Industrial Road. The immediate locality is generally an industrial area.</p> <p>The property is leased to 東莞潤信彈性織物有限公司 (Dongguan New Horizon Elastic Fabric Company Limited) from 盧煜光 (Lu Yuguang) for a term of 3 years commencing from 1 January 2014 and expiring on 31 December 2016.</p>	The property was occupied by the Group for staff quarters uses as at the valuation date.	No commercial value

Notes:

1. By a tenancy agreement dated 1 January 2014 made between 盧煜光 (Lu Yuguang), a related party to the Group, as the landlord, and 東莞潤信彈性織物有限公司 (Dongguan New Horizon Elastic Fabric Company Limited), an indirect wholly-owned subsidiary of the Company, as the tenant, the property is leased to the Group for a term of 3 years commencing from 1 January 2014 and expiring on 31 December 2016 at a monthly rent of RMB73,500 exclusive of management fee and charges for water and electricity.
2. We have been provided with a legal opinion on the legality of the tenancy agreement(s) to the property issued by the Company's PRC legal advisers, which contains, inter alia, the following:
 - Since the relevant documents in relation to land use rights and building title were not provided by the landlord for review, the subject tenancy agreement may be invalid and unenforceable under the PRC law.
 - The subject tenancy agreement has been registered with the relevant government authority.

	Property	Description and tenure	Particular of occupancy	Capital value in existing state as at 31 March 2014
10.	An industrial complex located at Jinzhou Industrial Zone, Humen Town, Dongguan City, Guangdong Province, the PRC	<p>The property comprises a 4-storey workshop and a 6-storey staff quarters and was completed in about 1997.</p> <p>The property has a total gross floor area of approximately 5,835 sq.m.</p> <p>The property is situated near Taisha Road and Lianshengbei Road. The immediate locality is generally an industrial area.</p> <p>The property is leased to (東莞潤信彈性織物有限公司虎門分公司) (Dongguan New Horizon Elastic Fabric Company Limited, Humen Branch) from (盧煜光) (Lu Yuguang) for a term of 3 years commencing from 1 January 2014 and expiring on 31 December 2016.</p>	The property was occupied by the Group for production and staff quarters uses as at the valuation date.	No commercial value

Notes:

1. By a tenancy agreement dated 1 January 2014 made between (盧煜光) (Lu Yuguang), a related party to the Group, as the landlord, and (東莞潤信彈性織物有限公司虎門分公司) (Dongguan New Horizon Elastic Fabric Company Limited, Humen Branch), an indirect wholly-owned subsidiary of the Company, as the tenant, the property is leased to the Group for a term of 3 years commencing from 1 January 2014 and expiring on 31 December 2016 at a monthly rent of RMB67,114 exclusive of management fee and charges for water and electricity.
2. We have been provided with a legal opinion on the legality of the tenancy agreement(s) to the property issued by the Company's PRC legal advisers, which contains, inter alia, the following:
 - 盧煜光 (Lu Yuguang) has the rights to lease out the subject portion of the property. The subject tenancy agreement is legal, valid and enforceable to both parties.
 - The subject tenancy agreement has been registered with the relevant government authority.

	Property	Description and tenure	Particular of occupancy	Capital value in existing state as at 31 March 2014
11.	Unit 1001, No. 47 Jingkou Road, Licang District, Qingdao City, Shandong Province, the PRC	<p>No. 47 Jingkou Road, namely Baitong Building, is a composite complex comprising a 23-storey office building and two 18-storey residential buildings erected over a 3-storey shopping mall and was completed in about 2010.</p> <p>The property comprises an office unit of the office building of Baitong Building.</p> <p>The property has a gross floor area of approximately 89.59 sq.m.</p> <p>The property is situated near Jingkou Road and Xiangyang Road. The immediate locality is generally a mixed commercial and residential area.</p> <p>The property is leased to 東莞超盈紡織有限公司 (Dongguan Best Pacific Textile Company Limited) from 韓德峰 (Han De Feng) for a term of 3 years commencing from 10 August 2012 and expiring on 9 August 2015.</p>	The property was occupied by the Group for office uses as at the valuation date.	No commercial value

Notes:

- By a tenancy agreement dated 18 July 2012 made between 韓德峰 (Han De Feng), an independent third party to the Group, as the landlord, and 東莞超盈紡織有限公司 (Dongguan Best Pacific Textile Company Limited), an indirect wholly-owned subsidiary of the Company, as the tenant, the property is leased to the Group for a term of 3 years commencing from 10 August 2012 and expiring on 9 August 2015 at a monthly rent of RMB4,500 exclusive of management fee and charges for water and electricity.

2. We have been provided with a legal opinion on the legality of the tenancy agreement(s) to the property issued by the Company's PRC legal advisers, which contains, inter alia, the following:
 - 韓德峰 (Han De Feng) has the rights to lease out the subject portion of the property. The subject tenancy agreement is legal, valid and enforceable to both parties.
 - The subject tenancy agreement has been registered with the relevant government authority.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 14 June, 2013 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “**Companies Law**”). The Amended and Restated Memorandum of Association (the “**Memorandum**”) and the Amended and Restated Articles of Association (the “**Articles**”) comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on our Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) 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 conditionally adopted on 8 May 2014 which shall become effective upon commencement of trading of our Shares on the Stock Exchange. 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 Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as 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 Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of 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 Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in 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 no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(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 auditor 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 therefore 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 Companies Law 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 approving any contract or arrangement or other proposal in which he or any of his close associates (as defined in the Articles) is materially interested, but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of 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 or arrangement 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 or arrangement 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 by virtue only of his/their interest in shares or debentures or other securities of the Company; or

- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his 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 associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) Remuneration

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of 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, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of 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.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and may by ordinary resolution appoint another in his place. 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 of director shall be vacated:

- (aa) if he 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;
- (bb) becomes of unsound mind or dies;
- (cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) if he is prohibited from being a director by law;

(ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with 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 Companies Law, 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.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(ix) **Proceedings of the Board**

The board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) **Register of Directors and Officers**

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(b) Alterations to constitutional documents

The Articles may be rescinded, altered or amended by 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, 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 in accordance with the relevant provisions of the Companies Law:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

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

(e) Special resolution-majority required

Pursuant to the Articles, a special resolution of 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 of which notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that if permitted by the Designated Stock Exchange (as defined in the Articles), except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which notice of less than twenty-one (21) clear days and less than ten (10) clear business days has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of 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 the 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 the 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 recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised

pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that 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 any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of 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 shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by 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 Companies Law or 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 registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company shall make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company,

demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by 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 Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by notice of at least twenty-one (21) clear days and not less than ten (10) clear business days. All other extraordinary general meetings shall be called by notice of at least 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.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of 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 per cent (95%) in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;
- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
- (gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine

to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) Power for any subsidiary of the Company to own shares in the Company and financial assistance to purchase shares of the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

(m) Dividends and other methods of distribution

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance

of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital 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 or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

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 of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member

who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or instalments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(p) Inspection of register of members

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or

by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

(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 Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. 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.

(t) Untraceable members

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANIES LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the “Court”), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company’s shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm’s-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company shall be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company shall not be treated as a member for any purpose and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share shall not be voted, directly or indirectly, at any meeting of the company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law. Further, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as

persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 2 July, 2013.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register shall be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time. There is no requirement

under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

(n) Winding up

A company may be wound up compulsorily by order of the Court voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any)

due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the company's articles of association and published in the Gazette in the Cayman Islands.

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) Compulsory acquisition

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman (Cayman) Limited, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands Companies Law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection — Documents available for inspection" in Appendix VI to this prospectus. Any person wishing to have a detailed summary of Cayman Islands Companies Law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES**1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands under the Cayman Islands Companies Law as an exempted company with limited liability on 14 June 2013. Our Company has established a place of business in Hong Kong at 8th Floor, West Gate Tower, Lai Chi Kok, Kowloon, Hong Kong and was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 5 February 2014. In connection with such registration, Mr. Chan Yiu Sing has been appointed as the authorised representative of our Company for acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, its operations are subject to the Cayman Islands company law and its constitution, which comprises the Memorandum and the Articles. A summary of certain provisions of its constitution and relevant aspects of the Cayman Islands company law is set out in Appendix IV to this prospectus.

2. Changes in authorised and issued share capital of our Company

- (a) The authorised share capital of our Company as at the date of its incorporation on 14 June 2013 was HK\$390,000 divided into 39,000,000 shares of HK\$0.01 each, of which one Share was allotted and issued to the subscriber, which was then transferred to Grandview on the same day.
- (b) On the same date, 331,499 Shares, 39,000 Shares and 19,500 Shares were allotted and issued at par value to Grandview, Sunbrilliant and Lakefront, respectively.
- (c) On 12 December 2013, 331,500 Shares, 39,000 Shares and 19,500 Shares were further allotted and issued at par value to Grandview, Sunbrilliant and Lakefront, respectively.
- (d) On 8 May 2014, the authorised share capital of our Company was increased from HK\$390,000 to HK\$500,000,000 by the creation of an additional 49,961,000,000 Shares of HK\$0.01.
- (e) Immediately following the completion of the Capitalisation Issue and the International Offering (taking no account of our Shares which may be issued pursuant to the Over-allotment Option and that none of the options which were granted under the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme is exercised), the authorised share capital of our Company will be HK\$500,000,000 divided into 50,000,000,000 Shares, of which 1,000,000,000 Shares will be allotted and issued, fully paid or credited as fully paid and 49,000,000,000 Shares will remain unissued.

Other than our Shares issuable pursuant to the exercise of the Over-allotment Option or any options which may fall to be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme, or the exercise of the general mandate referred to in the paragraph headed “— A. Further information about our Company and our subsidiaries — 3. Resolutions in writing of all Shareholders passed on 8 May 2014” in this Appendix, our Directors at present have no intention to issue to any party any of the authorised but unissued capital of our Company, and without the prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed in this prospectus, there has been no other alterations in the share capital of our Company since its incorporation.

3. Resolutions in writing of all Shareholders passed on 8 May 2014

Pursuant to the written resolutions passed by our Shareholders on 8 May 2014, *inter alia*:

- (a) the Memorandum of Association were adopted with immediate effect and the Articles of Association were conditionally approved and adopted;
- (b) conditional on (A) the Listing Committee granting the listing of, and permission to deal in, our Shares in issue and our Shares to be issued as mentioned herein (including any Shares which may be issued pursuant to the Global Offering, the Over-allotment Option and the Pre-IPO Share Option Scheme and the Share Option Scheme); and (B) the entering into of the agreement on the Offer Price between the Sole Global Coordinator and our Company; and (C) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Sole Global Coordinator) and not being terminated in accordance with the terms of such agreement or otherwise, in each case on or before the date determined in accordance with the terms of the Underwriting Agreements;
 - (i) the Global Offering was approved and our Directors were authorised to effect the same and to allot and issue the Offer Shares;
 - (ii) the Over-allotment Option was approved and our Directors were authorised to allot and issue any Shares which may be required to be issued if the Over-allotment Option is exercised;
 - (iii) the rules of the Pre-IPO Share Option Scheme and the Share Option Scheme were approved and adopted and our Directors were authorised, at their absolute discretion, to grant options to subscribe for Shares under the Pre-IPO Share Option Scheme and the Share Option Scheme and to allot, issue and deal with Shares issued pursuant thereunder and to take all such steps as they consider necessary or desirable to implement the Pre-IPO Share Option Scheme and the Share Option Scheme and to vote any matter connected therewith notwithstanding that they or any of them may be interested in the same;
 - (iv) conditional upon the share premium account of our Company being credited as a result of the Global Offering, our Directors were authorised to capitalise the amount of HK\$7,488,300 from the amount standing to the credit of the share premium account of our Company to pay up in full at par 748,830,000 Shares for allotment and issue to the person(s) whose name(s) appears on the register of members of our Company at the close of business on 8 May 2014, pro-rata to its/their then existing shareholdings in our Company;
- (c) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal with (otherwise than by way of rights issue or an issue of shares upon the exercise of any subscription or conversion rights attached to any warrants or any securities which are convertible into Shares or pursuant to the exercise of any options which were granted under the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme, any other option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of our Company and/or any of its subsidiaries or any other person of share or rights to acquire Shares or 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 a specific authority granted by our Shareholders in general meeting) Shares with a total nominal value not exceeding 20% of the aggregate of the total nominal value of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalisation Issue (excluding any Shares that may be issued upon exercise of the Over-allotment Option), such mandate to remain in effect until whichever is the earliest of:

- (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 the Articles or any applicable laws of the Cayman Islands to be held; or
 - (iii) the passing of an ordinary resolution of our Shareholders in general meeting revoking, varying or renewing such mandate;
- (d) a general unconditional mandate (the “**Repurchase 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 stock exchange on which our Shares may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares with a total nominal value not exceeding 10% of the aggregate of the total nominal value of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalisation Issue (assuming the Over-allotment Option is not exercised and taking no account of the options which were granted under the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme), such mandate to remain in effect until whichever is the earliest on:
- (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 the Articles or applicable laws of the Cayman Islands to be held; or
 - (iii) the passing of an ordinary resolution of our Shareholders in general meeting, revoking, varying or renewing such mandate;
- (e) the Repurchase Mandate was extended by the addition to the aggregate nominal value of the share capital of our Company 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 nominal value of the share capital of our Company repurchased by our Company pursuant to the Repurchase Mandate provided that such extended amount shall not exceed 10% of the aggregate of the total nominal value of the share capital of our Company in issue immediately following completion of the Global Offering.

4. Reorganisation

The companies comprising our Group underwent a Reorganisation in preparation for the Listing, details of which are set out in the section headed “History, Reorganisation and Corporate

Structure — Reorganisation” in this prospectus. Following the Reorganisation, our Company became the holding company of our Group.

A diagram showing our Group structure after the Reorganisation and immediately upon completion of the Global Offering and the Capitalisation Issue (assuming the Over-allotment Option is not exercised and taking no account of the options which were granted under the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme) is set out in the section headed “History, Reorganisation and Corporate Structure — Corporate structure” in this prospectus.

5. Changes in share capital of our subsidiaries

The subsidiaries of our Company are referred to in the Accountants’ Report, the text of which is set out in Appendix I to this prospectus. Save as disclosed in the section headed “History, Reorganisation and Corporate Structure” in this prospectus, there has been no alteration in the share capital of our subsidiary within two years immediately preceding the date of this prospectus.

6. Particulars of our PRC subsidiaries

Our Group has interests in two PRC subsidiaries. Set out below is a summary of the corporate information of these subsidiaries.

(a) *Dongguan BPT*

Date of establishment	: 24 February 2003
Registered office	: Xinsha Port Industry Park, Machong Town, Dongguan City, Guangdong Province, the PRC
Nature	: Limited liability company
Term	: 24 February 2003 to 23 February 2023
Registered capital	: HK\$662,890,000
Investment capital	: HK\$846,890,000
Registered owner	: BPT
Legal representative	: Mr. Lu
Scope of business	: High quality fabric weaving and finishing (including warp knitting high quality fabric, dyeing and ancillary processing, washing process). Establish research and development center in high quality fabric research and development

(b) Dongguan NHE

Date of establishment	: 18 May 2010
Registered office	: Baihao Industrial Zone, Houjie Town, Dongguan City, Guangdong Province, the PRC
Nature	: Limited liability company
Term	: 18 May 2010 to 18 May 2025
Registered capital	: HK\$173,000,000
Investment capital	: HK\$173,000,000
Registered owner	: New Horizon Investment
Legal representative	: Mr. Lu
Scope of business	: Production and sale of elastic webbing and lace (without washing dyeing process)

7. Repurchase by our Company of its own securities

This paragraph includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of its own securities.

(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 most important of which are summarised below:

(i) Shareholders' approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company listed on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in a general meeting, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to the resolutions in writing passed by our Shareholders on 8 May 2014, the Repurchase Mandate was granted to our Directors authorising the repurchase by our Company on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, of Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalisation Issue (assuming the Over-allotment Option is not exercised and taking no account of the options which were granted under the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme), at any time until (aa) the conclusion of the next annual general meeting of our Company, (bb) the expiration of the period within which the next annual general meeting of our Company is required by any applicable law of the Cayman Islands or the Memorandum and Articles of Association to be held; or (cc) when such mandate is revoked or varied or renewed by an ordinary resolution of our Shareholders in general meeting, whichever is the earliest.

(ii) *Source of funds*

Any repurchases must be financed out of funds legally available for such purpose in accordance with the Memorandum and Articles and any applicable laws of the Cayman Islands. A listed company is prohibited from repurchasing its own securities on the Main Board for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(b) *Exercise of the Repurchase Mandate*

Exercise in full of the Repurchase Mandate, on the basis of 1,000,000,000 Shares in issue immediately after completion of the Global Offering (but without taking into account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and any options which were granted under the Pre-IPO Share Option Scheme or 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 course of the period prior to the earliest of:

- (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 the Articles and the applicable laws and regulations of the Cayman Islands to be held; or
- (iii) the revocation, variation or renewal of the Repurchase Mandate by ordinary resolution of our Shareholders in general meeting.

(c) *Reasons for repurchases*

Repurchases of Shares will only be made when our Directors believe that such a repurchase will benefit our Company and our Shareholders. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of our Company and/or earnings per Share.

(d) *Funding of repurchases*

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with the Memorandum, the Articles and the applicable laws and regulations of the Cayman Islands.

Pursuant to the Repurchase Mandate, any repurchase of Shares will be made out of funds of our Company legally permitted to be utilised in this connection, including profits of our Company, share premium or the proceeds from a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, if authorised by the Articles and subject to the Companies Law, out of capital of our Company.

Our Company may not repurchase securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(e) *General*

There might be a material adverse impact on the working capital or gearing position of our Company (as compared with the position disclosed in this prospectus) in the event that the Repurchase Mandate is exercised in full. However, our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or on its gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates (as defined in the Listing Rules) 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, the Memorandum, the Articles and the applicable laws of the Cayman Islands.

No connected person (as defined in the Listing Rules) of our Company has notified our Company that he or she has a present intention to sell any Shares to our Company, or has undertaken not to do so, in the event that the Repurchase Mandate is exercised.

If as a result of a 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 purpose of the Codes on Takeovers and Mergers and Share Repurchases of Hong Kong (the "Code"). As a result, a Shareholder, or a group of Shareholders acting in concert (within the meaning under the Code), depending on the level of increase in the interests of the Shareholder(s), could obtain or consolidate control of our Company and become(s) obliged to make a mandatory offer in accordance with Rule 26 of the Code. Save as aforesaid, our Directors are not aware of any consequence which would arise under the Code due to any repurchase made pursuant to the Repurchase Mandate immediately after the Listing.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following contracts (not being contracts entered into the ordinary course of business of our Group) had been entered into by members of our Group within the two years immediately preceding the date of this prospectus and are or may be material:

- (a) the equity transfer agreement dated 28 May 2012 entered into between Dongguan NHE and Dongguan Runda, pursuant to which Dongguan NHE agreed to acquire certain equipment from Dongguan Runda at a consideration of approximately RMB8.6 million;
- (b) the equity transfer agreement dated 16 July 2012 entered into between Dongguan NHE and Dongguan Runda, pursuant to which Dongguan NHE agreed to acquire certain equipment from Dongguan Runda at a consideration of approximately RMB2.7 million;
- (c) the sale and purchase agreement dated 12 December 2013 entered into between BPT Holdings and Lu Huigen, pursuant to which Lu Huigen agreed to acquire 10,000 shares of HK\$1.00 each in Deluxe Royal from BPT Holdings for a consideration of HK\$10,000;
- (d) the instrument of transfer dated 16 January 2014 pursuant to which Grandview transferred 85 shares in BPT International to BPT Holdings in consideration of the allotment and issue of 7,000 shares of US\$1.00 each in BPT Holdings to Grandview;

- (e) the sale and purchase agreement dated 16 January 2014 entered into between Sunbrilliant, Lakefront and BPT Holdings, pursuant to which BPT Holdings acquired 10 shares and 5 shares in BPT International (representing 10% and 5% of the issued share capital of BPT International, respectively), from Sunbrilliant and Lakefront respectively, the consideration of which was settled by the allotment and issuance of 2,000 shares and 1,000 shares in BPT Holdings, respectively, at the subscription price of US\$2,000 and US\$1,000, respectively;
- (f) the sale and purchase agreement dated 16 January 2014 entered into between Grandview, Sunbrilliant, Lakefront and our Company, pursuant to which our Company acquired 17,000 shares, 2,000 shares and 1,000 shares in BPT Holdings (representing 85%, 10% and 5% of the issued share capital of BPT Holdings, respectively), from Grandview, Sunbrilliant and Lakefront, respectively, the consideration of which was settled by the allotment and issuance of 331,500 Shares, 39,000 Shares and 19,500 Shares, respectively, at the subscription price of HK\$3,315, HK\$390 and HK\$195, respectively;
- (g) the deed of transfer dated 16 January 2014 entered into between Mr. Zhang, Mr. Wu, Mr. Lu Canping (“**Mr. CP Lu**”), Mr. Lu Jianye (“**Mr. JY Lu**”) and BPT Holdings, pursuant to which (a) Mr. Zhang (as the beneficial owner) and Mr. CP Lu (as the legal owner and trustee of Mr. Zhang) transferred 1,000 shares in BPT (representing 10% of the issued share capital of BPT) to BPT Holdings at nil consideration; and (b) Mr. Wu (as the beneficial owner) and Mr. JY Lu (as the legal owner and trustee of Mr. Wu) transferred 500 shares in BPT (representing 5% of the issued share capital of BPT) to BPT Holdings at nil consideration;
- (h) the instrument of transfer dated 16 January 2014, pursuant to which Mr. CP Lu (as the legal owner) transferred 8,500 shares in BPT to BPT Holdings (as the beneficial owner) at nil consideration;
- (i) the Deed of Indemnity;
- (j) the Deed of Non-Competition; and
- (k) the Hong Kong Underwriting Agreement.

2. Intellectual property rights of our Group

(a) Trademarks

- (i) As at the Latest Practicable Date, we had registered the following trademarks which are material in relation to our Group’s business:

<u>Trademark</u>	<u>Name of registrant</u>	<u>Class</u>	<u>Trademark number</u>	<u>Effective period</u>	<u>Place of registration</u>
超盈紡織	Dongguan BPT	22	7499513	14 November 2010 to 13 November 2020	PRC
超盈紡織	Dongguan BPT	23	7499527	14 November 2010 to 13 November 2020	PRC
超盈紡織	Dongguan BPT	24	7502678	7 November 2010 to 6 November 2020	PRC

<u>Trademark</u>	<u>Name of registrant</u>	<u>Class</u>	<u>Trademark number</u>	<u>Effective period</u>	<u>Place of registration</u>
超盈紡織	Dongguan BPT	26	7502696	7 November 2010 to 6 November 2020	PRC
nanodesign	Dongguan BPT	24	7583085	7 September 2011 to 6 September 2021	PRC
BPT	Dongguan BPT	22	7745696	28 December 2010 to 27 December 2020	PRC
BPT	Dongguan BPT	23	7745716	28 December 2010 to 27 December 2020	PRC
BPT	Dongguan BPT	24	7745736	28 December 2010 to 27 December 2020	PRC
BPT	Dongguan BPT	26	7745757	28 December 2010 to 27 December 2020	PRC
	Dongguan BPT	22	7745783	28 October 2010 to 27 October 2020	PRC
	Dongguan BPT	22	7747264	7 December 2010 to 6 December 2020	PRC
	Dongguan BPT	22	7748476	7 December 2010 to 6 December 2020	PRC
	Dongguan BPT	22	7748626	7 December 2010 to 6 December 2020	PRC
NHE	Dongguan NHE	22	7717607	28 November 2010 to 27 November 2020	PRC
NHE	Dongguan NHE	23	7717625	28 November 2010 to 27 November 2020	PRC
NHE	Dongguan NHE	24	7719248	7 December 2010 to 6 December 2020	PRC
NHE	Dongguan NHE	26	7719328	7 December 2010 to 6 December 2020	PRC

(ii) As at the Latest Practicable Date, we had applied for registration of the following trademarks:

<u>Trademark</u>	<u>Name of Applicant</u>	<u>Class</u>	<u>Application Number</u>	<u>Application Date</u>	<u>Place of Registration</u>
Best Pacific	Company	22, 23, 24, 25, 26	302722789	30 August 2013	Hong Kong

(b) Patents

As at the Latest Practicable Date, we had registered the following patents in the PRC which are material in relation to our Group's business:

Title	Type	Name of applicant	Patent number	Effective period	Place of application
A knitted structure reinforced fabric (一種織物結構加強的針織物)	Utility model	Dongguan BPT	ZL 200720095159.1	2 February 2007 to 1 February 2017	PRC
A elastomeric fabric and related products with memory function (一種具有伸縮記憶功能的織物及其製品)	Utility model	Dongguan BPT	ZL 201020200558.1	24 May 2010 to 23 May 2020	PRC
A warp knitted elastic fabric (一種經編彈性織物)	Utility model	Dongguan BPT	ZL 201220547482.9	24 October 2012 to 23 October 2022	PRC
A torn- resistant elastic fabric (一種耐撕裂 彈性織物)	Utility model	Dongguan BPT	ZL 201220547458.5	24 October 2012 to 23 October 2022	PRC
A silk-like elastic fabric (一種仿絲綢彈性織物)	Utility model	Dongguan BPT	ZL201220547456.6	24 October 2012 to 23 October 2022	PRC
A lace yarn rack (一種花邊機紗線架)	Utility model	Dongguan BPT	ZL201320357303.X	20 June 2013 to 19 June 2023	PRC
Lace (jacquard N12-10C016) (花邊織物 (賈卡 N12-10C016))	Appearance design	Dongguan BPT	ZL201330422088.2	2 September 2013 to 1 September 2023	PRC
Lace (jacquard Q12-11J027R2) (花邊織物 (賈卡 Q12-11J027R2))	Appearance design	Dongguan BPT	ZL201330466270.8	29 September 2013 to 28 September 2023	PRC
Lace (jacquard Q12-12J030R1) (花邊織物 (賈卡 Q12-12J030R1))	Appearance design	Dongguan BPT	ZL201330400573.X	21 August 2013 to 20 August 2023	PRC

Title	Type	Name of applicant	Patent number	Effective period	Place of application
Lace (jacquard Q12-08Z005) (花邊織物 (賈卡 Q12-08Z005))	Appearance design	Dongguan BPT	ZL201330400426.2	21 August 2013 to 20 August 2023	PRC
Lace (jacquard Q12-07J007) (花邊織物 (賈卡 Q12-07J007))	Appearance design	Dongguan BPT	ZL201330381463.3	9 August 2013 to 8 August 2023	PRC
Lace (jacquard N12-07C007) (花邊織物 (賈卡 N12-07C007))	Appearance design	Dongguan BPT	ZL201330422357.5	2 September 2013 to 1 September 2023	PRC
Lace (jacquard N12-09C013) (花邊織物 (賈卡 N12-09C013))	Appearance design	Dongguan BPT	ZL201330341367.6	19 February 2013 to 18 February 2023	PRC
Lace (jacquard Q12-09J016R1) (花邊織物 (賈卡 Q12-09J016R1))	Appearance design	Dongguan BPT	ZL201330341389.2	19 July 2013 to 18 July 2023	PRC
Lace (jacquard Q12-09K009R1) (花邊織物(賈卡 Q12-09K009R1))	Appearance design	Dongguan BPT	ZL 201330071817.4	20 March 2013 to 19 March 2023	PRC
Lace (jacquard Q12-07J007 wave edge 20) (花邊織物(賈卡Q12-07J007 波邊20))	Appearance design	Dongguan BPT	ZL 201330381168.8	9 August 2013 to 8 August 2023	PRC
Lace (jacquard Q12-07J007 wave edge 24) (花邊織物 (賈卡Q12-07J007波邊24))	Appearance design	Dongguan BPT	ZL 201330381391.2	9 August 2013 to 8 August 2023	PRC
Lace (jacquard Q12-08Z002R4) (花邊織物 (賈卡 Q12-08Z002R4))	Appearance design	Dongguan BPT	ZL201330381165.4	9 August 2013 to 8 August 2023	PRC
Lace (jacquard N13-07M006) (花邊織物 (賈卡 N13-07M006))	Appearance design	Dongguan BPT	ZL201330400402.7	21 August 2013 to 20 August 2023	PRC

Title	Type	Name of applicant	Patent number	Effective period	Place of application
Lace (jacquard N12-08M012) (花邊織物(賈卡 N12-08M012))	Appearance design	Dongguan BPT	ZL201330422520.8	2 September 2013 to 1 September 2023	PRC
Lace (jacquard Q12-09Z007R1) (花邊織物(賈卡 Q12-09Z007R1))	Appearance design	Dongguan BPT	ZL201330422482.6	2 September 2013 to 1 September 2023	PRC
Lace (jacquard Q13-02K032) (花邊織物 (賈卡 Q13-02K032))	Appearance design	Dongguan BPT	ZL201330422499.1	2 September 2013 to 1 September 2023	PRC
A knitted structure-reinforced fabric (一種織物結構加強的管狀織物)	Utility model	Dongguan NHE	ZL200720096105.7	23 May 2007 to 22 May 2017	PRC
A traceless wire casing elastic webbing (一種無痕鋼圈織帶)	Utility model	Dongguan NHE	ZL200920061972.6	7 August 2009 to 6 August 2019	PRC
A full spandex woven elastic webbing (一種氨綸梭織織帶)	Utility model	Dongguan NHE	ZL200920061952.9	7 August 2009 to 6 August 2019	PRC
A bonding elastic material (一種貼合彈性織物)	Utility model	Dongguan NHE	ZL200920061953.3	7 August 2009 to 6 August 2019	PRC
An Anti-Penetration wire casing elastic webbing (一種抗頂破的鋼圈織帶)	Utility model	Dongguan NHE	ZL200920194430.6	10 September 2009 to 9 September 2019	PRC
An elastic webbing (織帶)	Appearance design	Dongguan NHE	ZL200930251083.1	21 October 2009 to 20 October 2019	PRC
A stretch-resistant elastic webbing (一種高回彈彈性織帶)	Utility model	Dongguan NHE	ZL200920265251.7	16 December 2009 to 15 December 2019	PRC
An elastic webbing with variable width (一種新型的寬窄織帶)	Utility model	Dongguan NHE	ZL201220337167.3	12 July 2012 to 11 July 2022	PRC

(c) *Domain name*

As at the Latest Practicable Date, we had registered the following domain name:

<u>Domain name</u>	<u>Registrant</u>	<u>Expiry date</u>	<u>Place of application</u>
www.bestpacific.com	Best Pacific International Holdings Limited	13 July 2015	Hong Kong

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Directors

(a) *Disclosure of interests of our Directors*

So far as our Directors are aware, immediately following completion of the Global Offering, the Capitalisation Issue (assuming the Over-allotment Option is not exercised and taking no account of the options which were granted under the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme), the interests or short positions of each of our Directors and the chief executives of our Company in our Shares, underlying Shares and the debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which, once our Shares are listed, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register required to be kept therein or which, once our Shares are listed, will be required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules to be notified to our Company and the Stock Exchange are set out as follows:

(i) *Interest in our Company*

<u>Name</u>	<u>Long/short position</u>	<u>Capacity/Type of interest</u>	<u>Number of Shares</u>	<u>Approximate percentage of shareholding in our Company</u>
Mr. Lu <i>(Note 1)</i>	Long position	Interest in a controlled corporation	637,500,000	63.75%
Mr. Zhang <i>(Note 2)</i>	Long position	Interest in a controlled corporation	75,000,000	7.50%
Mr. Wu <i>(Note 3)</i>	Long position	Interest in a controlled corporation	37,500,000	3.75%

Notes:

- (1) These Shares are registered in the name of Grandview, which is wholly-owned by Mr. Lu. Under the SFO, Mr. Lu is deemed to be interested in all the Shares registered in the name of Grandview.
- (2) These Shares are registered in the name of Sunbrilliant, which is wholly-owned by Mr. Zhang. Under the SFO, Mr. Zhang is deemed to be interested in all the Shares registered in the name of Sunbrilliant.
- (3) These Shares are registered in the name of Lakefront, which is wholly-owned by Mr. Wu. Under the SFO, Mr. Wu is deemed to be interested in all the Shares registered in the name of Lakefront.

(b) *Particulars of service contracts*

Each of our executive Directors has entered into a service contract with our Company for a term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either party on the other and is subject to termination provisions therein and provisions on retirement by rotation of our Directors as set out in the Articles. Particulars of the service agreements of our Directors are in all material respects the same. The salary of our executive Directors is subject to review each year. In addition, each of our executive Directors is also entitled to bonus as determined by our Board based on the recommendations made by our remuneration committee.

Pursuant to the letters of appointment between our Company and our independent non-executive Directors, our independent non-executive Directors have been appointed for a term of three years commencing from the Listing Date which may be terminated by either party by giving three months' written notice.

Save as disclosed above, none of our Directors has entered or proposed to enter into any service contract/letter of appointment with our Company or any of our subsidiaries (other than contracts expiring or determinable by our Group within one year without the payment of compensation (other than statutory compensation)).

(c) *Directors' remuneration*

Our Company's policies concerning remuneration of our executive Directors are:

- (i) the amount of remuneration payable to our executive Directors will be determined on a case by case basis depending on the experience, responsibility, workload and the time devoted to our Group by the relevant Director;
- (ii) non-cash benefits may be provided to our Directors under their remuneration package; and
- (iii) our executive Directors may be granted, at the discretion of our Board, share options of our Company, as part of the remuneration package.

For the years ended 31 December 2011, 2012 and 2013, the aggregate emoluments paid and benefits in kind granted by our Group to our Directors were approximately HK\$10.7 million, HK\$9.3 million and HK\$9.3 million, respectively. Further information in respect of our Directors' remuneration is set out in note 13 of the Accountants' Report set out in Appendix I to this prospectus.

An aggregate sum of approximately HK\$8.6 million will be paid to our Directors as remuneration and benefits in kind by our Group for the year ending 31 December 2014 under the arrangements in force at the date of this prospectus excluding management bonus.

2. Substantial Shareholders

So far as our Directors are aware, immediately following the completion of the Global Offering and the Capitalisation Issue (assuming the Over-allotment Option is not exercised and taking no account of the options which were granted under the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme), the following persons (not being a Director or chief executive of our Company) who 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 under the provisions of Divisions 2 and 3 of Part XV of the SFO are as follows:

<u>Name</u>	<u>Long/short position</u>	<u>Capacity/Type of interest</u>	<u>Number of Shares</u>	<u>Approximate percentage of shareholding in our Company</u>
Grandview ^(Note 1)	Long position	Beneficial interest	637,500,000	63.75%
Sunbrilliant ^(Note 2)	Long position	Beneficial interest	75,000,000	7.50%

Notes:

- (1) The entire issued share capital of Grandview is beneficially owned by Mr. Lu who is deemed to be interested in the Shares held by Grandview pursuant to the SFO.
- (2) The entire issued share capital of Sunbrilliant is beneficially owned by Mr. Zhang who is deemed to be interested in the Shares held by Sunbrilliant pursuant to the SFO.

3. Related party transactions

Our Group entered into the related party transactions within the two years immediately preceding the date of this prospectus as mentioned in note 47 of the Accountants' Report set out in Appendix I to this prospectus.

4. Disclaimers

Save as disclosed in this prospectus:

- (a) none of our Directors or chief executive of our Company has any interests or short positions in our Shares, underlying Shares or the debentures of our Company or any of its associated corporations (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies once our Shares are listed;
- (b) none of our Directors or experts referred to under the paragraph headed “— E. Other Information — 8. Consents of experts” in this Appendix 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 is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;

- (d) without taking into account any of our Shares which may be allotted and issued upon the exercise of the Over-allotment Option and the options which were granted under the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme, none of our Directors knows of any person (not being a director or chief executive of our Company) who will, immediately following completion of the Global Offering and the Capitalisation Issue, have an interest or short position in our Shares, underlying Shares or the debentures of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group; and
- (e) none of the experts referred to under the paragraph headed “— E. Other Information — 8. Consents of experts” in this Appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

D. PRE-IPO SHARE OPTION SCHEME AND SHARE OPTION SCHEME

The following is a summary of the principal terms of the Pre-IPO Share Option Scheme and the Share Option Scheme conditionally approved by our Shareholders on 8 May 2014.

A. Pre-IPO Share Option Scheme

For the purpose of this sub-section only, unless the context otherwise requires, the following words shall have the following meanings:

“Adoption Date”	8 May 2014, the date on which the Pre-IPO Share Option Scheme was conditionally adopted by written resolutions of all our Shareholders;
“Board”	the board of directors of our Company for the time being or a duly authorised committee thereof;
“Business Day”	any day (excluding a Saturday and Sunday) on which banks are generally open for business in Hong Kong;
“Date of Grant”	in respect of an Option, the Business Day on which the Board resolves to make an Offer to a Participant whether or not the Offer is subject to Shareholders’ approval on the terms of the Pre-IPO Share Option Scheme, and in any event no later than the Listing Date;
“Grantee”	any Participant who accepts an offer in accordance with the terms of the Pre-IPO Share Option Scheme, or (where the context so permits) a person entitled to any such Option in consequence of the death of the original Grantee, or the personal representative of such person;
“Group”	our Company and our Subsidiaries;
“Offer”	the offer of the grant of an Option;

“Option”	an option to subscribe for Shares pursuant to the Pre-IPO Share Option Scheme;
“Option Period”	in respect of any particular Option, the period to be determined and notified by our Board to the Grantee at the time of making an Offer which shall not expire later than five years from the Date of Grant;
“Participants”	the Directors and employees of our Group who our Board considers, in its sole discretion, have contributed or will contribute to our Group;
“Subscription Price”	the price per Share at which a Grantee may subscribe for Shares on the exercise of an Option pursuant to paragraph (b) (iv) below; and
“Subsidiary”	a company which is for the time being and from time to time a subsidiary (within the meaning of the Companies Ordinance) of our Company, whether incorporated in Hong Kong or elsewhere.

The following is a summary of the principal terms of the Pre-IPO Share Option Scheme conditionally adopted by the written resolutions of all our Shareholders passed on 8 May 2014:

The purpose of the Pre-IPO Share Option Scheme is to recognise the contribution that certain directors and employees of our Group who made or may have made to the growth of our Group. It aims to give the Participants an opportunity to acquire a personal stake in our Company and help motivate such Participants to optimise their performance and efficiency, and also to help retain the Participants whose contributions are important to the long-term growth and profitability of our Group.

The principal terms of the Pre-IPO Share Option Scheme are substantially the same as the terms of the Share Option Scheme except that:

- (i) the Subscription Price is, subject to certain adjustments set out in the Pre-IPO Share Option Scheme, equivalent to 50% discount to the Offer Price;
- (ii) the maximum number of Shares subject to the Pre-IPO Share Option Scheme is 30,000,000 Shares, representing 3% of the issued share capital of our Company immediately upon completion of the Capitalisation Issue and the Global Offering (assuming that the Over-allotment Option is not exercised and taking no account of the options which were granted under the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme);
- (iii) eligible participants under the Pre-IPO Share Option Scheme are the Directors and employees of the Group who, in the sole opinion of the Board, will contribute or have contributed to the Group;
- (iv) Subject to any restrictions applicable under the Listing Rules and notwithstanding the terms of grant thereof, all options has been granted under the Pre-IPO Share Option Scheme are subject to the following vesting period:
 - (i) as to 20% of the aggregate number of Shares underlying the Option on the date of the first anniversary of the Date of Grant;

- (ii) as to 30% of the of the aggregate number of Shares underlying the Option on the date of the second anniversary of the Date of Grant; and
- (iii) as to 50% of the aggregate number of Shares underlying the Option on the date of the third anniversary of the Date of Grant.
- (v) save for the options which have been granted and disclosed in this prospectus under the Pre-IPO Share Option Scheme, no further options will be offered or granted under the Pre-IPO Share Option Scheme, as the right to do so will terminate upon the Listing; and
- (vi) each Option granted under the Pre-IPO Share Option Scheme will lapse upon the expiry of the Option Period.

Application has been made to the Listing Committee for the listing of and permission to deal in Shares to be issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme. Options granted under the Scheme do not carry any right to vote, or any right, dividend including those arising on liquidation of our Company.

(a) Outstanding options

Our Company has conditionally granted options to subscribe for Shares under the Pre-IPO Share Option Scheme. In consideration of HK\$1.00 from each grantee, options to subscribe for an aggregate of 26,470,000 Shares representing 2.65% of the enlarged issued share capital of our Company immediately following completion of the Global Offering and the Capitalisation Issue (assuming that the Over-allotment Option is not exercised and any options that have been granted under the Pre-IPO Share Option Scheme and the Share Option Scheme have not been exercised) at the Subscription Price had been granted to 27 Participants under the Pre-IPO Share Option Scheme.

Out of the Shares to be issued upon the exercise of all the options granted under the Pre-IPO Share Option Scheme, options representing 11,000,000 Shares were granted to three of our Directors, options representing 6,400,000 Shares were granted to five members of our senior management and options representing 9,070,000 Shares were granted to 19 other employees of our Group. No options under the Pre-IPO Share Option Scheme have been granted to any connected persons of our Group other than our Directors and Ms. Zheng Tingting, who is the spouse of Mr. Zhang.

Below is a list of grantees under the Pre-IPO Share Option Scheme:

<u>Name of grantee</u>	<u>Residential address</u>	<u>Position in our Group</u>	<u>No. of Shares subject to the option</u>	<u>Approximate % of enlarged issued share capital immediately after completion of the Global Offering and the Capitalisation Issue ^(Note)</u>
<i>Directors</i>				
Mr. Lu	No.28 Yanhe Street Three Baihao Houjie Town Dongguan City Guangdong Province The PRC	Chairman and executive Director	3,000,000	0.300%
Mr. Zhang	Room 1906 108 Taojin Road East Guangzhou City Guangdong Province The PRC	Chief executive officer and executive Director	5,000,000	0.500%
Mr. Wu	No.4 3 Xiang, Taishaxincun Humen Town Dongguan City Guangdong Province The PRC	Executive Director	3,000,000	0.300%
		Sub-total (Directors)	<u>11,000,000</u>	<u>1.100%</u>
<i>Senior Management</i>				
Chan Yiu Sing (陳耀星)	Flat 1B Block D, Wylie Court Homantin Kowloon Hong Kong	Chief financial officer and company secretary of our Group	1,300,000	0.130%
Zheng Tingting * (鄭婷婷)	Room 1906 108 Taojin Road East Guangzhou City Guangdong Province The PRC	Vice-president (marketing) of our Group	2,000,000	0.200%
* Spouse of Mr. Zhang				

<u>Name of grantee</u>	<u>Residential address</u>	<u>Position in our Group</u>	<u>No. of Shares subject to the option</u>	<u>Approximate % of enlarged issued share capital immediately after completion of the Global Offering and the Capitalisation Issue <i>(Note)</i></u>
He Zhongpin (何仲聘)	Room 704 No.2 Cuibo Road Cuijing Garden City West District Zhongshan City Guangdong Province The PRC	Vice-president (production) of Dongguan NHE	1,000,000	0.100%
Shi Jiangzhi (石蔣志)	No.072, Chengdong Road Xiaopu Town Jiangyong County Hunan Province The PRC	Vice-president (research and development) of our Group	1,300,000	0.130%
Xu Jie (徐傑)	No.4, Machong Town Shixinnan Road Dongguan City Guangdong Province The PRC	Vice-president (human resources) of Dongguan BPT	800,000	0.080%
		Sub-total (senior management)	<u>6,400,000</u>	<u>0.640%</u>
Other Employees				
Wong Yiu Man, Dawson (王耀文)	Flat RB, 38 th Floor Tower 8 Le Prime Lohas Park Tseung Kwan O New Territories Hong Kong	Senior manager of Finance Department	220,000	0.022%
Li Debiao (李德彪)	No.288 Tongdadong Road Nanwai Town Da County Sichuan Province The PRC	Senior manager of Finance Department	500,000	0.050%

<u>Name of grantee</u>	<u>Residential address</u>	<u>Position in our Group</u>	<u>No. of Shares subject to the option</u>	<u>Approximate % of enlarged issued share capital immediately after completion of the Global Offering and the Capitalisation Issue ^(Note)</u>
He Shengquan (何勝權)	No.2, Lane 2 South Zhongfangxincun Huayang Village Machong Town Dongguan City Guangdong Province The PRC	Senior manager of Finance Department	220,000	0.022%
Lei Ruolan (雷若蘭)	No.22 Zhenqinjiang Road Gu Village Ningdu County Jiangxi Province The PRC	Senior manager of Sales and Marketing Department	830,000	0.083%
Zhang Lei (張磊)	No.6 Yangnitang zhu Yangmeitang Village Dongfuzhen Town Liling City Hunan Province The PRC	Marketing manager of Sales and Marketing Department	500,000	0.050%
Zan Tao (曾濤)	No.60 Zhongxing Road Houjie Town Dongguan City Guangdong Province The PRC	Marketing manager of Sales and Marketing Department	440,000	0.044%
Tang Wei E (唐偉娥)	No.4 Jiangjia Lane Longyang Town Hanshou County Hunan Province The PRC	Marketing manager of Sales and Marketing Department	440,000	0.044%
Yi Li (裔麗)	Room 102, No.1-14 Guangrui Village II Chong'an District Wuxi City Jiangsu Province The PRC	Marketing manager of Sales and Marketing Department	220,000	0.022%

<u>Name of grantee</u>	<u>Residential address</u>	<u>Position in our Group</u>	<u>No. of Shares subject to the option</u>	<u>Approximate % of enlarged issued share capital immediately after completion of the Global Offering and the Capitalisation Issue ^(Note)</u>
Rao Wei (饒薇)	No.247-40 Nanzhulin Huangshigang District Huangshi City Hubei Province The PRC	Marketing manager of Sales and Marketing Department	670,000	0.067%
Peng Shiyu (彭世玉)	No.51, Beimenhe Road Nan'an Town Dayu County Jiangxi Province The PRC	Marketing manager of Sales and Marketing Department	830,000	0.083%
Xu Xiaohui (徐小惠)	No.42, Group 22 Zhujia Village Wusha Town Guichi District Chizhou City Anhui Province The PRC	Marketing manager of Sales and Marketing Department	720,000	0.072%
Huang Qin (黃芹)	Room 1104 2 Tianyun Street Baiyun District Guangzhou City Guangdong Province The PRC	Senior manager of Production Department	60,000	0.006%
Cha Jinlian (查進聯)	Room 204 Block 2, Huamao Garden No.95 Fangzhinan Road Daguan District Anqing City Anhui Province The PRC	Senior manager of Production Department	720,000	0.072%

<u>Name of grantee</u>	<u>Residential address</u>	<u>Position in our Group</u>	<u>No. of Shares subject to the option</u>	<u>Approximate % of enlarged issued share capital immediately after completion of the Global Offering and the Capitalisation Issue ^(Note)</u>
He Wenjin (何文進)	Group 6, Helingcun Committee Ronshan Town Linchuan District Fuzhou City Jiangxi Province The PRC	Senior manager of Production Department	500,000	0.050%
Sun Huaye (孫華葉)	First floor, No.28 No.1, Hongyuan Road Nancheng District Dongguan City Guangdong Province The PRC	Senior manager of Production Department	550,000	0.055%
Wang Yafeng (王亞鳳)	First floor, No.28 No. 1, Hongyuan Road Nancheng District Dongguan City Guangdong Province The PRC	Senior manager of Production Department	440,000	0.044%
Chen Changrong (陳長榮)	No.9, Lane 4 Xuetang Street Wanqingsha Town Nansha District Guangzhou City The PRC	Senior manager of Production Department	440,000	0.044%
Chen Hongfei (陳鴻飛)	No.7, Unit 1 No.23, Beida Cultural Office Weidu District Xuchang City Henan Province The PRC	Senior manager of Production Department	330,000	0.033%

<u>Name of grantee</u>	<u>Residential address</u>	<u>Position in our Group</u>	<u>No. of Shares subject to the option</u>	<u>Approximate % of enlarged issued share capital immediately after completion of the Global Offering and the Capitalisation Issue ^(Note)</u>
Tong Mingyan (唐明妍)	No.4, Shixinnan Road Machong Town Dongguan City Guangdong Province The PRC	Senior manager of Purchasing Department	440,000	0.044%
		Sub-total (employees)	<u>9,070,000</u>	<u>0.907%</u>
		Grand total	<u><u>26,470,000</u></u>	<u><u>2.647%</u></u>

Note: Assuming that the Over-allotment Option is not exercised.

Save and except as set out in the list above, no other Options have been or will be granted or have been agreed to be granted by our Company under the Pre-IPO Share Option Scheme. The Pre-IPO Share Option Scheme is valid and effective upon the Listing Date after which no further options will be offered or granted.

Our Directors have agreed and undertaken that each of them will not exercise any options if, as a result of such exercise, our Company will not be able to comply with the public float requirements under Rule 8.08(1) of the Listing Rules.

Assuming that the Over-allotment Option is not exercised, the shareholding structure of our Company before and after the exercise of all the Options granted under the Pre-IPO Share Option Scheme in full will be as follows:

Shareholders	Shareholding structure immediately after completion of the Global Offering and the Capitalisation Issue but before the exercise of the options granted under the Pre-IPO Share Option Scheme		Shareholding structure immediately after completion of the Global Offering and the Capitalisation issue and exercise of the options granted under the Pre-IPO Share Option Scheme in full	
	Shares	%	Shares	%
Existing Shareholders/ executive Directors	750,000,000	75%	750,000,000	73.066%
Grantees under the Pre-IPO Share Option Scheme			Executive Directors:	
			Mr. Lu: 3,000,000	0.292%
			Mr. Zhang: 5,000,000	0.487%
			Mr. Wu: 3,000,000	0.292%
			Senior management Zheng Tingting:	
			2,000,000	0.195%
			(Note 1)	
			Other senior management and employees: 13,470,000	1.313%
			(Note 2)	
			Total: 776,470,000	75.645%
Other public Shareholders	250,000,000	25%	250,000,000	24.355%
			(Note 2)	
Total	1,000,000,000	100%	1,026,470,000	100%

Notes:

- (1) Ms. Zheng is the spouse of Mr. Zhang, an executive Director, and is therefore considered a connected person.
- (2) The Shares to be issued pursuant to the exercise of the Options granted under the Pre-IPO Share Option Scheme by the senior management and employees who are not associates of our Directors will be counted as part of the public float of our Company pursuant to Rule 8.14 of the Listing Rules. Accordingly, public Shareholders of our Company will hold approximately 25.668% of the total issued Shares immediately after the completion of the Global Offering and the Capitalisation Issue and full exercise of the Options granted under the Pre-IPO Share Option Scheme (assuming that the Over-allotment Option is not exercised).

The Options issued under the Pre-IPO Share Option Scheme represent approximately 2.65% of the total issued share capital of our Company immediately following completion of the Global Offering and the Capitalisation Issue as enlarged by the allotment and issue of Shares upon the exercise of all such Options (assuming that the Over-allotment Option is not exercised and taking no account of the Options which were granted under the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme). If all Options are exercised, this would have a dilutive effect on the shareholdings of our Shareholders of approximately 2.65% and a dilutive effect of approximately 2.65% on earnings per Share. However, as the Options are exercisable for a period of five years, any such dilution and impact on earnings per Share will be staggered over several years. No further options will be granted under the Pre-IPO Share Option Scheme after the Listing Date.

(b) Summary of the major terms of the Pre-IPO Share Option Scheme

(i) Purpose

The Pre-IPO Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions that the Participants (as defined in paragraph (ii) below) have or may have made to our Group.

(ii) Who may join

Our Board may, at its discretion, offer to grant an option to subscribe for such number of new Shares as our Board may determine at the Subscription Price to directors (including executive directors and independent non-executive directors) and employees of our Group who, in the sole opinion of our Board, have contributed or will contribute to our Group.

(iii) Maximum number of Shares

The maximum number of Shares in respect of which options may be granted under the Pre-IPO Share Option Scheme shall not exceed 30,000,000 Shares, representing 3% of the enlarged issued share capital of our Company upon completion of the Global Offering and the Capitalisation Issue (taking no account of any Shares which may be issued upon exercise of the Over-allotment Option and any share option which were granted under the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme).

(iv) Price of Shares

The Subscription Price of a Share in respect of any particular option granted under the Pre-IPO Share Option Scheme shall be equal to a 50% discount to the final offer price per Share (assuming an offer price of HK\$2.18 per Share, being the mid-point of the indicative offer price range of HK\$1.85 to HK\$2.50 per Share, the Subscription Price shall be HK\$1.09).

(v) 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 to do so.

(vi) Time of vesting of option

Subject to any restrictions applicable under the Listing Rules and notwithstanding the terms of grant thereof, all options has been granted under the Pre-IPO Share Option Scheme are subject to the following vesting period:

- (i) As to 20% of the aggregate number of Shares underlying the Option on the date of the first anniversary of the Date of Grant;

- (ii) As to 30% of the of the aggregate number of Shares underlying the Option on the date of the second anniversary of the Date of Grant; and
- (iii) As to 50% of the aggregate number of Shares underlying the Option on the date of the third anniversary of the Date of Grant.

The exercise of an option granted under the Pre-IPO Share Option Scheme is not subject to any performance target being reached.

(vii) *Rights on ceasing to be an Participant*

- (aa) in the event of the Grantee ceasing to be a Participant by reason of his death before exercising his Option in full and none of the events which would be a ground for termination of his employment as specified in paragraph xiv(ff) below having arisen, his legal personal representative(s) may exercise the Option up to the Grantee's entitlement as at the date of death (to the extent not already exercised) within the period of 12 months following his death provided that where any of the events set out in paragraphs (viii), (ix), (x) and (xi) below occurs prior to his death or within such period of 12 months following his death, then his personal representative(s) may so exercise the Option only within such of the various periods respectively set out in such paragraphs;
- (bb) in the event of a Grantee who is an employee or a director of our Company or another member of the Group ceasing to be a Participant for any reason other than his death or the termination of his employment or directorship on one or more of the grounds specified in paragraph xiv(ff) below, the Option (to the extent not already exercised) shall lapse on the date of cessation or termination of such employment (which date shall be the Grantee's last actual working day with our Company or the relevant Subsidiary whether salary is paid in lieu of notice or not) and shall on that day cease to be exercisable;
- (cc) in the event of a Grantee who is not an employee or a director of our Company or another member of our Group ceasing to be a Participant as and when determined by our Board by resolution for any reason other than his death, our Board may by written notice to such Grantee within one month from the date of such cessation determine the period within which the Option (or such remaining part thereof) shall be exercisable following the date of such cessation;
- (dd) in the event of the Grantee ceasing to be a Participant by reason of the termination of his employment or directorship on one or more of the grounds specified in paragraph (xiv)(ff) below, his Option shall lapse automatically (to the extent not already exercised) and shall not be exercisable on or after the date of termination of his employment and to

the extent the Grantee has exercised the Option in whole or in part, but Shares have not been allotted to him, the Grantee shall be deemed not to have so exercised such Option and our Company shall return to the Grantee the amount of the Subscription Price for the Shares received by our Company in respect of the purported exercise of such Option;

(viii) Rights on takeover

If a general offer by way of takeover or otherwise is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional prior to the expiry date of the relevant Option, our Company shall forthwith give notice thereof to the Grantee and the Grantee (or his legal personal representative) shall be entitled to exercise the Option in full (to the extent not already exercised) or to the extent as notified by our Company at any time within such period as shall be notified by our Company.

(ix) Rights on scheme of arrangement

If a general offer for Shares by way of scheme of arrangement is made to all the holders of Shares and has been approved by the necessary number of holders of Shares at the requisite meetings, our Company shall forthwith give notice thereof to the Grantee and the Grantee (or his legal personal representative) may at any time thereafter (but before such time as shall be notified by our Company) exercise the Option to its full extent or to the extent specified in such notice.

(x) Rights on voluntarily wind-up

In the event a notice is given by our Company to our Shareholders to convene a Shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to the Grantee and the Grantee (or his legal personal representative) may at any time thereafter (but before such time as shall be notified by our Company) exercise the Option to its full extent or to the extent specified in such notice, and our Company shall as soon as possible and in any event no later than three days prior to the date of the proposed Shareholders' meeting, allot, issue and register in the name of the Grantee such number of fully paid Shares which fall to be issued on exercise of such Option.

(xi) Rights on compromise or arrangement between our Company and its members or creditors

In the event of a compromise or arrangement between our Company and its members or creditors is proposed in connection with a scheme for the reconstruction or amalgamation of our Company, our Company shall give notice thereof to all Grantees on the same day as it gives notice of the meeting to its members or creditors to consider such compromise or arrangement and the Grantee (or his legal personal representative) may at any time thereafter but before such time as shall be notified by our Company exercise the Option either to its full extent or to the extent notified by our Company, and our Company shall as soon as possible and in any event no later than three days prior to the date of the proposed meeting, allot, issue and register in

the name of the Grantee such number of fully paid Shares which fall to be issued on exercise of such Option.

(xii) *Ranking of Shares*

The Shares to be allotted upon the exercise of an Option shall be subject to all the provisions of the memorandum of association and articles of our Company for the time being in force and shall rank *pari passu* in all respects with the existing fully paid Shares in issue on the date on which those Shares are allotted on exercise of the Option and accordingly shall entitle the holders to participate in all dividends or other distributions paid or made after the date on which Shares are allotted other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date thereof shall be on or before the date on which our Shares are allotted.

(xiii) *Effect of alterations to capital*

In the event of an alteration in the capital structure of our Company whilst any Option remains exercisable by way of capitalisation of profits or reserves, bonus issue, rights issue, open offer, subdivision or consolidation of shares, or reduction of the share capital of our Company in accordance with legal requirements and requirements of the Stock Exchange (other than any alteration in the capital structure of our Company as a result of an issue of Shares as consideration in a transaction to which our Company is a party), such corresponding adjustments (if any) shall be made to:

(aa) the number or nominal amount of Shares subject to the Option so far as unexercised; or

(bb) the Subscription Price;

Or any combination thereof, provided that;

(1) any such adjustments give a Grantee the same proportion of the equity capital of our Company as that to which that Grantee was previously entitled; and

(2) notwithstanding paragraph (xiii)(a) above, any adjustments as a result of an issue of securities with a price-dilutive element, such as a rights issue, open offer or capitalisation issue, shall be made in accordance with the supplementary guidance on Rule 17.03(13) of the Listing Rules on 5 September 2005, or such other guidelines or supplementary guidance as may be issued by the Stock Exchange from time to time,

but no such adjustments shall be made pursuant to paragraphs (xiii)(1) and (xiii)(2) to the extent that a Share would be issued at less than its nominal value.

(xiv) *Expiry of option*

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

(aa) the expiry of the Option Period;

- (bb) the expiry of the periods referred to in paragraph (vi) above; or
 - (cc) the expiry of the period referred to in paragraph (viii) above, subject to any court of competent jurisdiction making an order to prohibit the Offeror from acquiring the remaining Shares in the Offer, the relevant period within which Options may be exercised shall not begin to run until the discharge of the order in question or unless the Offer lapses or is withdrawn before that date;
 - (dd) subject to the scheme of arrangement (referred to in paragraph (ix) above becoming effective, the expiry of the period for exercising the Option as referred to in paragraph (ix) above;
 - (ee) the date of the commencement of the winding-up of our Company;
 - (ff) the date on which the Grantee (if an employee or director of our Company or another member of our Group) ceases to be a Participant by reason of the termination of his employment or directorship on the grounds that he has been guilty of serious misconduct, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his debts or has committed any act of bankruptcy or has become insolvent or has made any arrangements or compromise with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or on any other grounds on which an employer would be entitled to terminate his employment summarily. A resolution of our Board or the board of directors of our relevant Subsidiary 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 xiv(ff) below shall be conclusive and binding on the Grantee, and where appropriate, his legal representative(s);
 - (gg) the date on which the Grantee commits a breach of paragraph (v) above; and
 - (hh) subject to paragraph (vii)(bb) above, the date the Grantee ceases to be a Participant for any other reason.
- (xv) ***Alteration of the Pre-IPO Share Option Scheme***

The Pre-IPO Share Option Scheme may be altered by a resolution of the Directors except those provisions of the Pre-IPO Share Option Scheme which relate to the definitions of “Participants”, “Grantee” and “Option Period”, shall not be altered to the advantage of Grantees except with the prior sanction of a resolution of our Company in general meeting. Any changes to the authority of our Board in relation to any alteration of the terms of the Pre-IPO Share Option Scheme shall not be made without the prior approval of our Shareholders in general meeting. Any alterations to the terms and conditions of the Pre-IPO Share Option Scheme which are of a material nature, or any change to the terms of Options granted, must also, to be effective, be approved by our Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Pre-IPO Share Option Scheme.

(xvi) Cancellation of Options

Any Options granted but not exercised may be cancelled if the Participant so agrees.

(xvii) Duration and termination of the Pre-IPO Share Option Scheme

- (aa) Our Company, by ordinary resolution in general meeting, or our Board may at any time, terminate the operation of the Pre-IPO Share Option Scheme and in such event no further Options will be offered or granted but in all other respects the provisions of the Pre-IPO Share Option Scheme shall remain in full force and effect in respect of options which are granted during the life of the Pre-IPO Share Option Scheme and which remain unexpired immediately prior to the termination of the operation of the Pre-IPO Share Option Scheme.
- (bb) The Pre-IPO Share Option Scheme shall be valid and effective upon the Listing Date after which no further options shall be offered or granted but the provisions of the Pre-IPO Share Option Scheme shall remain in full force and effect in all other respects.

(xviii) Administration of the Broad

The Pre-IPO Share Option Scheme shall be subject to the administration of our Board whose decision as to all matters arising in relation to the Pre-IPO Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

(xix) Disclosure in annual and interim reports

We will disclose details of the Pre-IPO Share Option Scheme in our annual and interim reports during the financial year/period in the annual/interim reports in accordance with the Listing Rules in force from time to time.

(B) The Share Option Scheme

For the purpose of this sub-section B only, unless the context otherwise requires, the following words shall have the following meanings:

“Adoption Date”	the date on which our Share Option Scheme was conditionally adopted by written resolutions of all our Shareholders;
“Associate”	has the meaning ascribed to it under the Listing Rules;
“Auditors”	the auditors of our Company for the time being;
“Board”	the board of directors of our Company for the time being or a duly authorised committee thereof;
“Business Day”	any day (excluding a Saturday and Sunday) on which banks are generally open for business in Hong Kong;

“Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands;
“Company”	Best Pacific International Holdings Limited (超盈國際控股有限公司), a company incorporated in the Cayman Islands with limited liability on 14 June 2013, the securities of which are proposed to be listed on the Main Board of the Stock Exchange;
“connected person”	has the meaning ascribed to it under the Listing Rules;
“Date of Grant”	in respect of an Option, the Business Day on which our Board resolves to make an Offer, or the grant of an Option to a Participant, whether or not the Offer is subject to Shareholders’ approval on the terms of the Share Option Scheme;
“Global Offering”	the offering of Shares, by way of public offer and international offering, to be effected by our Company in connection with its application for the listing of our Shares on the Stock Exchange;
“Grantee”	any Participant who accepts an Offer in accordance with the terms of the Share Option Scheme, or (where the context so permits) a person entitled to any such Option in consequence of the death of the original Grantee, or the personal representative of such person;
“Group”	our Company and our Subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Individual Limit”	the meaning ascribed thereto in paragraph (a)(v)(cc);
“Listing Date”	the date on which dealings in our Shares first commence on the Main Board of the Stock Exchange;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Offer”	the offer of the grant of an Option;
“Option”	an option to subscribe for Shares pursuant to the Share Option Scheme and for the time being subsisting;
“Option Period”	in respect of any particular Option, the period to be determined and notified by our Board to the Grantee at the time of making an Offer which shall not expire later than 10 years from the Date of Grant;
“Over-allotment Option”	the option to be granted by our Company to the international underwriters and exercisable by the sole global coordinator to the Global Offering to require our Company to allot and issue further Shares in addition to those initially made available under the Global Offering;

“Participants”	directors (including executive Directors, non-executive Directors and independent non-executive Directors) and employees of our Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, partners, joint venture business partners, promoters or service providers of any member of our Group who our Board considers, in its sole discretion, have contributed or will contribute to our Group;
“Scheme Limit”	has the meaning ascribed to it in paragraph (a)(v)(ee);
“Scheme Mandate Limit”	has the meaning ascribed to it in paragraph (a)(v)(aa);
“Shareholder(s)”	holder(s) of our Shares;
“Shares”	ordinary shares of HK\$0.01 each in the share capital of our Company or, if there has been a sub-division, reduction, consolidation, reclassification or reconstruction of the share capital of our Company, the shares forming part of the ordinary equity share capital of our Company or such nominal amount as shall result from any such sub-division, reduction, consolidation, reclassification or reconstruction;
“Subscription Price”	the price per Share at which a Grantee may subscribe for Shares on the exercise of an Option pursuant to paragraph (iv) below;
“Subsidiary”	a company which is for the time being and from time to time a subsidiary (within the meaning of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) of our Company, whether incorporated in Hong Kong or elsewhere and “Subsidiaries” shall be construed accordingly;
“Supplementary Guidance”	supplementary guidance on Rule 17.03(13) of the Listing Rules issued by the Stock Exchange dated 5 September 2005; and
“%”	per cent.

(a) Summary of terms

The Share Option Scheme contains the following terms:

(i) Purpose

The purpose of the Share Option Scheme is to reward Participants who have contributed to our Group and to encourage Participants to work towards enhancing the value of our Company and its Shares for the benefit of our Company and our Shareholders as a whole.

(ii) Who may join

Our Directors may, at their discretion, invite Participants to take up Options at a price calculated in accordance with paragraph (iv) below. An Offer shall remain open for acceptance by the Participant concerned for a period of 28 days from the Date of Grant provided that no such Offer shall be open for acceptance after the expiry of the Option

Period or after our Share Option Scheme is terminated or after the Participant has ceased to be a Participant. An Offer is deemed to be accepted when our Company receives from the Grantee the Offer letter signed by the Grantee specifying the number of Shares in respect of which the Offer is accepted, and a remittance to our Company of HK\$1.00 as consideration for the grant of Option. Such remittance is not refundable in any circumstances. The Offer shall specify the terms on which the Option is granted. Such terms may at the discretion of our Board, include, among other things, (aa) the minimum period for which an Option must be held before it can be exercised; and/or (bb) a performance target that must be reached before the Option can be exercised in whole or in part; and (cc) any other terms, all of which may be imposed (or not imposed) either on a case-by-case basis or generally.

Any Offer may be accepted in respect of less than the number of Shares in respect of which it is offered provided that it is accepted in respect of a whole board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof. To the extent that the Offer is not accepted within 28 days from the date on which the letter containing the Offer is delivered to that Participant in the manner indicated above, it shall be deemed to have been irrevocably declined.

No Offer shall be made to, nor shall any Offer be capable of acceptance by, any Participant at a time when the Participant would or might be prohibited from dealing in our Shares by the Listing Rules or by any other applicable rules, regulations or law.

Our Directors may or may not set performance targets that must be achieved before the options can be exercised, but no such performance targets are presently prescribed under the Share Option Scheme.

The rules of the Share Option Scheme enable our Directors to determine the terms and conditions of any option based in each case on relevant factors as they consider appropriate. Our Directors believe that the authority given to them under the Share Option Scheme to set any minimum holding period and/or performance targets as conditions in any option granted and the requirement for a minimum subscription price as well as the selection criteria prescribed by the rules of the Share Option Scheme will serve to protect the value of our Company and any of its subsidiaries as well as to achieve the purpose of the Share Option Scheme.

(iii) Grant of Options to connected persons or any of their associates

Any grant of Options to any Director, chief executive or substantial shareholder (as such term is defined in the Listing Rules) of our Company, or any of their respective associates under the Share Option Scheme or any other share option schemes of our Company or any of its Subsidiaries shall be subject to the prior approval of our independent non-executive Directors (excluding independent non-executive Directors who are the proposed Grantees of the Options in question). Where any grant of Options to a substantial shareholder or an independent non-executive Director, or any of their respective associates, would result in our Shares issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled or outstanding) to such person in the 12 month period up to and including the date of such grant:

- (aa) representing in aggregate over 0.1% of our Shares in issue on the date of such grant; and

- (bb) having an aggregate value, based on the closing price of our Shares as stated in the daily quotations sheets issued by the Stock Exchange on the Date of Grant, in excess of HK\$5 million,

such further grant of Options shall be subject to prior approval by resolution of our Shareholders (voting by way of poll). Our Company shall send a circular to our Shareholders in accordance with the Listing Rules and all connected persons of our Company shall abstain from voting in favour of the resolutions at such general meeting of our Shareholders.

(iv) ***Subscription Price***

The Subscription Price shall be determined by our Board in its absolute discretion but in any event shall not be less than the higher of:

- (aa) the closing price of our Shares as stated in the daily quotations sheets issued by the Stock Exchange on the Date of Grant which must be a Business Day;
- (bb) the average closing price of our Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five Business Days immediately preceding the Date of Grant; and
- (cc) the nominal value of our Shares.

(v) ***Maximum number of Shares***

- (aa) The maximum number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and any other share option schemes of our Company shall not, in the absence of Shareholders' approval, in aggregate exceed 10% in nominal amount of the aggregate of Shares in issue on the Listing Date (without taking into account any of our Shares which may be allotted and issued under the Over-allotment Option) (the "**Scheme Mandate Limit**"). Options lapsed in accordance with the terms of the Share Option Scheme and (as the case may be) such other share option schemes of our Company will not be counted for the purpose of calculating the Scheme Mandate Limit.

Our Company may renew the Scheme Mandate Limit at any time subject to prior Shareholders' approval but in any event, the total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and any other share option schemes of our Company under the limit as refreshed must not exceed 10% of our Shares in issue (including Shares which may be allotted and issued under the Over-allotment Option) as at the date of the Shareholders' approval of the renewed limit. Options previously granted under the Share Option Scheme and any other share option schemes of our Company (including those outstanding, cancelled, lapsed in accordance with the terms or exercised options) will not be counted for the purpose of calculating the limit as renewed.

- (bb) Notwithstanding the foregoing, our Company may grant Options beyond the Scheme Mandate Limit to Participants if:
- (1) separate Shareholders' approval has been obtained for granting Options beyond the Scheme Mandate Limit to Participants specifically identified by our Company before such Shareholders' approval is sought; and
 - (2) our Company, in connection with the seeking of such separate Shareholders' approval, has first sent a circular to Shareholders containing such information as may be required by the Listing Rules then prevailing to be included in such circular.
- (cc) Subject to paragraph (dd) below, the maximum number of Shares issued and to be issued upon exercise of the Options granted to each Grantee under the Share Option Scheme (including both exercised and outstanding Options) in any 12-month period shall not (when aggregated with any Shares subject to options granted during such period under any other share option scheme(s) of our Company other than those options granted pursuant to specific approval by the Shareholders in a general meeting) exceed 1% of our Shares in issue for the time being (the "**Individual Limit**").
- (dd) Where any further grant of Options to a Participant would result in our Shares issued and to be issued upon exercise of all Options granted and to be granted to such person (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of our Shares in issue, such further grant must be separately approved by Shareholders in general meeting with such Participant and his/her associates abstaining from voting. Our Company must send a circular to our Shareholders disclosing the identity of the Participant in question, the number and terms of the Options to be granted (and Options previously granted to such Participant) and such other information required under the Listing Rules.
- (ee) At any time, the maximum number of Shares which may be issued upon exercise of all Options which then have been granted and have yet to be exercised under the Share Option Scheme and any other share option schemes of our Company shall not, in the absence of Shareholders' approval, in aggregate exceed 30% of our Shares in issue from time to time (the "**Scheme Limit**").

(vi) Time of exercise of option

An Option may be exercised in accordance with the terms of the Share Option Scheme at any time during the Option Period. After the expiration of the Option Period, no further Options shall be offered or granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects. Options granted during the life of the Share Option Scheme shall continue to be exercisable in accordance with their terms of grant after the end of the ten-year period.

(vii) Rights are personal to grantees

An Option is personal to the Grantee and shall not be assignable or transferable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any other person over or in relation to any Option.

(viii) (aa) Rights on termination of employment by dismissal

- (1) If the Grantee ceases to be a Participant by reason of the termination of his employment or directorship on the grounds of serious misconduct, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his debts or has committed any act of bankruptcy or, has become insolvent or has made any arrangements or compromise with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or on any other grounds on which an employer would be entitled to terminate his employment summarily, his Option will lapse automatically and not be exercisable (to the extent not already exercised) on or after the date of termination of his employment. To the extent that the Grantee has exercised the Option in whole or in part pursuant to paragraph (xxiii) below, but our Shares have not been allotted to him, the Grantee shall be deemed not to have so exercised such Option and our Company shall return to the Grantee the amount of the Subscription Price for the Shares received by our Company in respect of the purported exercise of such Option.
- (2) If the Grantee who is an employee or a Director or another member of our Group ceases to be a Participant for any reason other than his death or termination of his employment or directorship on one or more of the grounds specified in paragraph (viii)(aa)(1) above, the Option shall lapse (to the extent not already exercised) on the date of cessation or termination of his employment (which date shall be the Grantee's last actual working day with our Company or the relevant Subsidiary whether salary is paid in lieu of notice or not) and shall on that day cease to be exercisable;

(bb) Rights on death

If the Grantee ceases to be a Participant by reason of his death before exercising his Option in full and none of the events which would be a ground for termination of his employment as described in paragraph (viii)(aa)(1) above have arisen, his personal representative(s) may exercise the Option up to the Grantee's entitlement as at the date of death (to the extent not already exercised) within a period of 12 months following the date of his death provided that where any of the events set out in paragraphs (x), (xi), (xii) and (xiii) occurs prior to his death or within such period of 6 months following his death, then his personal representative(s) may so exercise the Option only within such of the various periods set out in such paragraphs provided further that if within a period of three years prior to the Grantee's death, the Grantee had committed any of the acts specified in paragraph (vii)(aa)(1) which would have entitled our Company to terminate his employment prior to his death, our Board may at any time forthwith terminate the Option (to the extent not already exercised) by written notice to the Grantee's legal personal representative(s) and/or to the extent the Option has been exercised in whole or in part by his legal personal representative(s), but Shares have not been allotted, he shall be deemed not to have so exercised such Option and our Company shall return to

him the amount of the Subscription Price for the Share received by our Company in respect of the purported exercise of such Option.

(ix) *Effect of alterations to share capital*

In the event of an alteration in the capital structure of our Company, whilst any Option remains exercisable, by way of capitalisation of profits or reserves, bonus issue, rights issue, open offer, subdivision or, consolidation of shares, or reduction of the share capital of our Company in accordance with legal requirements and requirements of the Stock Exchange (other than any alteration in the capital structure of our Company as a result of an issue of Shares as consideration in a transaction to which our Company is a party), such corresponding adjustments (if any) shall be made to:

- (aa) the number or nominal amount of Shares subject to the Option so far as unexercised; or
- (bb) the Subscription Price,

or any combination thereof, provided that:

- (1) any such adjustments give a Grantee the same proportion of the equity capital of our Company as that to which that Grantee was previously entitled; and
- (2) notwithstanding paragraph (ix)(1) above, any adjustments as a result of an issue of securities with a price-dilutive element, such as a rights issue, open offer or capitalisation issue shall be made in accordance with the provisions of Chapter 17 of the Listing Rules and the notes thereto and the supplementary guidance on the interpretation of the Listing Rules issued by the Stock Exchange from time to time (including the Supplemental Guidance attached to all issuers relating to share option schemes).

but no such adjustments shall be made to the extent that a Share would be issued at less than its nominal value. In respect of any such adjustments, an independent financial advisor or auditor must confirm to our Directors in writing that the adjustments are in their opinion fair and reasonable.

(x) *Rights on a general offer by way of takeover*

In the event of a general offer by way of takeover (other than by way of scheme of arrangement) being 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 association or concert with the offeror) and such offer becomes or is declared unconditional prior to the expiry date of the relevant Option, our Company shall forthwith notify all the Grantees and any Grantee (or his legal personal representative) shall be entitled to exercise the Option in full (to the extent not already exercised) or to the extent as notified by our Company at any time within such period as shall be notified by our Company.

(xi) *Rights on a general offer by way of scheme of arrangement*

In the event of a general offer by way of scheme of arrangement being made to all the Shareholders and has been approved by the necessary number of Shareholders at the requisite meetings, our Company shall forthwith notify all the Grantees and any Grantee (or his legal personal representative) may at any time thereafter, (but before such time as shall be notified by our Company) exercise the Option either to its full extent or to the extent notified by our Company.

(xii) *Rights on winding up*

In the event a notice is given by our Company to our Shareholders to convene a Shareholders' meeting to consider and, if thought fit, approve a resolution to voluntarily wind up our Company, our Company shall forthwith give notice thereof to all Grantees and any Grantee (or his legal personal representative) may at any time thereafter (but before such time as shall be notified by our Company) exercise the Option either to its full extent or to the extent notified by our Company, and our Company shall as soon as possible and in any event no later than three days prior to the date of the proposed Shareholders' meeting, allot and issue and register in the name of the Grantee such number of Shares to the Grantee which fall to be issued on such exercise.

(xiii) *Rights on a compromise or arrangement*

In the event a compromise or arrangement (other than a scheme of arrangement) between our Company and its members or creditors is proposed in connection with a scheme for the reconstruction or amalgamation of our Company, our Company shall give notice to all the Grantees on the same date as it gives notice of the meeting to its members or creditors to consider such a compromise or arrangement, and any Grantee (or his legal personal representative) may at any time thereafter (but before such time as shall be notified by our Company) exercise the Option either to its full extent or to the extent notified by our Company and our Company shall as soon as possible and in any event no later than three days prior to the date of the proposed Shareholders' meeting, allot and issue and register in the name of the Grantee such number of Shares which fall to be issued on such exercise.

(xiv) *Rights of Grantee ceasing to be Participant*

In the event of a Grantee who is not an employee or a director of our Company or another member of our Group ceasing to be a Participant as and when determined by our Board by resolution for any reason other than his death our Board may by written notice to such Grantee within one month from the date of such cessation determine the period within which the Option (or such remaining part thereof) shall be exercisable following the date of such cessation.

(xv) *Ranking of Shares*

The Shares to be allotted upon the exercise of an Option shall be subject to all the provisions of our Memorandum of Association and Articles of Association for the time being in force and shall rank *pari passu* in all respects with the existing fully

paid Shares in issue on the date on which these Shares are allotted on exercise of the Option and accordingly shall entitle the holders to participate in all dividend or other distributions paid or made after the date on which our Shares are allotted other than any dividends or distributions previously declared or recommended or resolved to be paid or made if the record date thereof shall be on or before the date on which our Shares are allotted.

(xvi) Period of the Share Option Scheme

The Share Option Scheme was adopted for a period of ten years commencing from the Adoption Date. Our Company may, by ordinary resolution in a general meeting or, our Board, on such date as our Board determines, terminate the Share Option Scheme at any time without prejudice to the exercise of Options granted prior to such termination.

(xvii) Alterations to the Share Option Scheme

Those specific provisions of the Share Option Scheme which relate to the matters set out in Rule 17.03 of the Listing Rules cannot be altered to the advantage of Participants, and changes to the authority of our Board in relation to any alteration of the terms of the Share Option Scheme shall not be made, in either case, without the prior approval of Shareholders in general meeting. Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature, or any change to the terms of Options granted, must be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme. The Share Option Scheme so altered must comply with Chapter 17 of the Listing Rules.

(xviii) Conditions of the Share Option Scheme

The Share Option Scheme shall take effect subject to:

- (aa) the passing of the resolution by our Shareholders to approve and adopt the Share Option Scheme and to authorise our Board to grant Options thereunder and to allot and issue Shares pursuant to the exercise of any Options;
- (bb) the Listing Committee (as defined in the Listing Rules) of the Stock Exchange granting approval of the listing of and permission to deal in our Shares which fall to be issued pursuant to the exercise of Options (subject to an initial limit of 10% of the aggregate number of Shares in issue on the Listing Date (being 100,000,000 Shares, assuming the Over-allotment Option is not exercised)); and
- (cc) the commencement of trading of our Shares on the Main Board of the Stock Exchange.

(xix) Lapse of Option

An Option shall lapse automatically and shall not be exercisable, to the extent not already exercised, on the earliest of:

- (aa) the expiry of the Option Period;

- (bb) the expiry of the periods referred to in paragraphs (viii)(aa), (viii)(bb), (x), (xi), (xii), (xiii) and (xiv) above respectively;
- (cc) the expiry of the period referred to in paragraph (x) above, subject to any court of competent jurisdiction not making an order to prohibit the offeror from acquiring the remaining Shares in the Offer, the relevant period within which Options may be exercised shall not begin to run until the discharge of the order in question or unless the Offer lapses or is withdrawn before that date;
- (dd) subject to the scheme of arrangement becoming effective, the expiry of the period referred to in paragraph (xi) above;
- (ee) the date of commencement of the winding-up of our Company;
- (ff) the date on which the Grantee ceases to be a Participant as referred to in paragraph (viii)(aa)(1) above;
- (gg) the date on which the Grantee commits a breach by selling, transferring, charging, mortgaging, encumbering or creating any interest in favour of any third party over or in relation to any Option; and
- (hh) subject to paragraph (viii)(aa)(2), the date the Grantee ceases to be a Participant for any other reason.

(xx) *Termination of the Share Option Scheme*

Our Company by ordinary resolution in general meeting or our Board may at any time terminate the Share Option Scheme and in such event no further Options may be granted but in all other respects the Share Option Scheme shall remain in full force and effect in respect of Options which are granted during the life of the Share Option Scheme and which remain unexpired immediately prior to termination of the operation of the Share Option Scheme.

(xxi) *Restriction on grant of Option*

In addition, a grant of Options may not be made after inside information has come to its knowledge until such inside information has been published in the newspapers or in such other manner as prescribed by the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of:

- (aa) the date of the board meeting of our Company (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or, any other interim period (whether or not required under the Listing Rules); and
- (bb) the deadline for our Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules);

and ending on the date of the results announcement, no Option may be granted.

(xxii) Cancellation

Any Options granted but not exercised may be cancelled if the Participant so agrees and new Options may be granted to the Grantee provided that such new Options fall within the limits prescribed by paragraph (v), excluding the cancelled Options, and are otherwise granted in accordance with the terms of the Share Option Scheme.

(xxiii) Exercise of Options

- (aa) An Option may, subject to the provisions of paragraph (v), be exercised in whole or in part (but if in part only, in respect of a board lot in which our Shares are traded on the Stock Exchange from time to time or an integral multiple thereof) in the manner set out in paragraphs (vi), (viii), (x), (xi), (xii), (xiii) and (xiv) by the Grantee (or, as the case may be, his legal personal representative(s)) by giving notice in writing to our Company stating that the Option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the Subscription Price multiplied by the number of Shares in respect of which the notice is given. Within 10 Business Days after receipt of the notice and the remittance of the full amount of the relevant aggregate Subscription Price and, where appropriate, receipt of the Auditors' certificate or the certificate from the independent financial adviser to our Company pursuant to paragraph (v), our Company shall accordingly allot and issue the relevant number of Shares to the Grantee (or, as the case may be, his legal personal representative(s)) credited as fully paid and issue to the Grantee (or, as the case may be, his legal personal representative(s)) share certificates in respect of our Shares so allotted.
- (bb) The exercise of any Option shall be subject to the members of our Company in general meeting approving any necessary increase in the authorised share capital of our Company. Subject thereto our Board shall make available sufficient authorised but unissued share capital of our Company to meet subsisting requirements on the exercise of Options.
- (cc) The Options do not carry any right to vote in general meeting of our Company, or any right, dividend, transfer or any other rights, including those arising on the liquidation of our Company.
- (dd) No Grantee shall enjoy any of the rights of a shareholder by virtue of the grant of an Option pursuant to the Share Option Scheme, unless and until Shares are actually issued to the Grantee pursuant to exercise of such Option.

(b) Present status of the Share Option Scheme

As at the Latest Practicable Date, no Option had been granted or agreed to be granted pursuant to the Share Option Scheme.

E. OTHER INFORMATION**1. Estate duty, tax and other indemnities**

Each of our Controlling Shareholders (collectively, the “**Indemnifiers**”) has entered into the Deed of Indemnity with and in favour of our Company (for itself and as trustee for each of our present subsidiaries) (being the material contract referred to in item (i) of the section headed “Summary of material contracts” in this Appendix) to provide indemnities on a joint and several basis in respect of, among other matters, Hong Kong estate duty which might be payable by any member of our Group, by reason of any transfer of property (within the meaning of Section 35 of the Estate Duty Ordinance, Chapter 111 of the Laws of Hong Kong), to any member of our Group on or before the date on which the Global Offering becomes unconditional (the “**Effective Date**”).

The Deed of Indemnity also contain, amongst other things, indemnities given by the Indemnifiers in respect of taxation resulting from income, profits or gains earned, accrued or received as well as any property claim to which our Company may be subject on or before the Effective Date which might be payable by any member of our Group.

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of its subsidiaries under the laws of the Cayman Islands, the BVI or Hong Kong, being jurisdictions in which one or more of the companies comprising our Group were incorporated.

2. Litigation

As at the Latest Practicable Date, neither our Company nor any of our subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claims of material importance was known to our Directors to be pending or threatened against our Company or any of our subsidiaries.

3. Sole Sponsor

CCBI has made an application for and on behalf of our Company to the Stock Exchange for the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus, including any Shares falling to be issued pursuant to the exercise of the Over-allotment Option or any options which were granted under the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme. The Sole Sponsor is independent from our Company pursuant to Rule 3A.07 of the Listing Rules.

4. Preliminary expenses

The preliminary expenses of our Company are approximately HK\$15,000 and have been paid by our Company.

5. Sole Sponsor’s fees

The Sole Sponsor’s fees of our Company are approximately HK\$3 million and are payable by our Company.

6. Promoter

Our Company has no promoter for the purpose of the Listing Rules.

7. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualification
CCBI	Licenced to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Jingtian & Gongcheng Law Firm	PRC legal adviser to our Company
Deloitte Touche Tohmatsu	Certified public accountants
Conyers Dill & Pearman (Cayman) Limited	Cayman Islands attorneys-at-law
Avista Valuation Advisory Limited	Property valuer and consultant
Frost & Sullivan	Independent industry consultant
Mr. Matthew Ho	Barrister-at-law

8. Consents of experts

Each of CCBI, Jingtian & Gongcheng, Deloitte Touche Tohmatsu, Avista Valuation Advisory Limited, Conyers Dill & Pearman (Cayman) Limited, Frost & Sullivan and Mr. Matthew Ho has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or valuation certificate and/or the references to its name included herein in the form and context in which they are respectively included.

9. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penalty provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

10. Agency fees or commission received

The Underwriters will receive an underwriting commission, and the Sole Sponsor will receive a documentation fee, as referred to under the section headed “Underwriting — Underwriting arrangements and expenses — Commissions and expenses” in this prospectus.

11. No material adverse change

Our Directors confirm that there has not been any material adverse change in the financial or trading position or prospects of our Group since 31 December 2013 (being the date to which the

latest audited combined financial statements of our Group were made up) and up to the date of this prospectus.

12. Miscellaneous

- (a) Save as disclosed in this prospectus, within the two years preceding the date of this prospectus:
 - (i) no share or loan capital of our Company or any of its 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 its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) our Group has no outstanding convertible debt securities or debentures;
 - (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 its subsidiaries;
 - (v) no founders, management or deferred shares of our Company or, any of its subsidiaries have been issued or agreed to be issued;
 - (vi) 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 its subsidiaries;
 - (vii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of its subsidiaries;
- (b) none of the persons named in the paragraph headed “— E. Other Information — 8. Consents of experts” in this Appendix is interested beneficially or otherwise in any shares of any member of our Group nor has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any securities in any member of our Group;
- (c) our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 31 December 2013 (being the date to which the latest audited combined financial statements of our Group were made up);
- (d) our Directors confirm that 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 our Group in the 12 months preceding the date of this prospectus;
- (e) the principal register of members of our Company will be maintained in Cayman Islands by Codan Trust Company (Cayman) Limited and a branch register of members of our Company will be maintained in Hong Kong by Computershare Hong Kong Investor Services Limited. Unless our Directors otherwise agree, all transfer and other

documents of title of Shares must be lodged for registration with and registered by our Company's share register in Hong Kong and may not be lodged in Cayman Islands;

- (f) no member of our Group is presently listed on any stock exchange or traded on any trading system;
- (g) there is no arrangement under which future dividends are waived or agreed to be waived; and
- (h) all necessary arrangements have been made to enable our Shares to be admitted into CCASS for clearing and settlement.

13. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by Section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of the **WHITE**, **YELLOW** and **GREEN** Application Forms, the written consents referred to in the section headed “Statutory and General Information — E. Other information — 8. Consents of experts” in Appendix V to this prospectus; the statement of adjustment referred to in the paragraph below headed “Documents Available for Inspection” and copies of material contracts referred to in the section headed “Statutory and General Information — B. Further information about our business — 1. Summary of material contracts” in Appendix V to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Stephenson Harwood at 18th Floor, United Centre, 95 Queensway, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and the Articles;
- (b) the accountants’ report prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus;
- (c) the consolidated audited financial statements of BPT Holdings and BPT International for the years ended 31 December 2011, 2012 and 2013;
- (d) the statement of adjustments for the years ended 31 December 2011, 2012 and 2013 prepared by Deloitte Touche Tohmatsu;
- (e) the letter prepared by Deloitte Touche Tohmatsu relating to the pro forma financial information, the text of which is set out in Appendix II to this prospectus;
- (f) the letter, summary of values and valuation certificates relating to the property interest of our Group prepared by Avista Valuation Advisory Limited, the text of which is set out in Appendix III to this prospectus and the full valuation report prepared by Avista Valuation Advisory Limited;
- (g) the Frost & Sullivan Report;
- (h) the letter of advice prepared by Conyers Dill & Pearman (Cayman) Limited summarising certain aspects of the Cayman Islands company law as referred to in Appendix IV to this prospectus;
- (i) the legal opinions issued by Jingtian & Gongcheng, the legal adviser to our Company as to PRC law;
- (j) the legal opinion issued by Mr. Matthew Ho in relation to the non-compliance of section 122 of the predecessor Companies Ordinance;
- (k) the Cayman Islands Companies Law;
- (l) the material contracts referred to in the section headed “Statutory and General Information — B. Further information about our business — 1. Summary of material contracts” in Appendix V to this prospectus;

- (m) the written consents referred to in the section headed “Statutory and General Information — E. Other information — 8. Consents of experts” in Appendix V to this prospectus;
- (n) the rules of the Pre-IPO Share Option Scheme and the Share Option Scheme; and
- (o) the service contracts and letters of appointment referred to in the section headed “Statutory and General Information — C. Further information about our Directors and substantial Shareholders — 1. Directors — (b) Particulars of service contracts” in Appendix V to this prospectus.



Best Pacific International Holdings Limited
超盈國際控股有限公司