



QUALIPAK INTERNATIONAL HOLDINGS LIMITED
確利達國際控股有限公司

(incorporated in Bermuda with limited liability)

Stock Code : 1332

QUALIPAK

SHARE OFFER

Sole Sponsor and Sole Lead Manager



IMPORTANT

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



Qualipak International Holdings Limited

(確利達國際控股有限公司)

(incorporated in Bermuda with limited liability)

SHARE OFFER

Number of Offer Shares	: 14,375,999 Shares
Number of Public Offer Shares	: 5,750,000 Shares (subject to reallocation)
Number of Reserved Shares	: 8,625,999 Shares (subject to reallocation)
Offer Price	: HK\$1.59 per Offer Share (payable in full on application and subject to refund, plus brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%)
Nominal Value	: HK\$0.10 per Share
Stock Code	: 1332

Sole Sponsor and Sole Lead Manager



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus. A copy of this prospectus, having attached thereto the documents specified in the paragraph headed “Documents delivered to the Registrar of Companies in Hong Kong and the Registrar of Companies in Bermuda” in Appendix VI to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required under Section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). A copy of this prospectus, together with the Application Forms, has been filed with the Registrar of Companies in Bermuda in accordance with the Companies Act. The Securities and Futures Commission, the Registrar of Companies in Hong Kong and the Registrar of Companies in Bermuda take no responsibility as to the contents of this prospectus or any other documents referred to above.

Pursuant to the force majeure provisions contained in the Underwriting Agreement in respect of the Share Offer, the Sole Lead Manager has the right in certain circumstances, subject to its sole and absolute opinion, to terminate the obligations of the Underwriter under the Underwriting Agreement at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date (such date is currently expected to be Thursday, 12 July 2012). Further details of the terms of the force majeure provisions are set out in the section headed “Underwriting” in this prospectus.

28 June 2012

EXPECTED TIMETABLE

2012
(note 1)

Latest time to complete electronic applications through the HK eIPO White Form service through the designated website at www.hkeipo.hk (note 2)	11:30 a.m. on Wednesday, 4 July
Application lists of the Public Offer and Preferential Offer open (note 3)	11:45 a.m. on Wednesday, 4 July
Latest time for lodging WHITE, YELLOW and BLUE Application Forms and giving electronic application instructions to HKSCC (note 4)	12:00 noon on Wednesday, 4 July
Latest time to complete payment of HK eIPO White Form applications by effecting internet banking transfer(s) or PPS payment transfer(s) (note 3)	12:00 noon on Wednesday, 4 July
Application lists of the Public Offer and Preferential Offer close (note 3)	12:00 noon on Wednesday, 4 July
Announcement of the level of applications and the basis of allocation of the Offer Shares under the Public Offer and the Preferential Offer to be published (a) in South China Morning Post (in English) and Sing Tao Daily (in Chinese) and (b) on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.qualipakhk.com (note 5)	Wednesday, 11 July
Results of allocation in the Public Offer and the Preferential Offer (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels as described in the section headed "How to apply for the Public Offer Shares and Reserved Shares — IV. Publication of results" in this prospectus	Wednesday, 11 July
Despatch of share certificates in respect of wholly or partially successful applications pursuant to the Public Offer and the Preferential Offer on or before (notes 6 to 11)	Wednesday, 11 July
Despatch of e-Auto Refund payment instructions/refund cheques in respect of wholly or partially unsuccessful applications pursuant to the Public Offer and the Preferential Offer on or before (notes 5, 7 to 11)	Wednesday, 11 July
Dealings in Shares on the Main Board expected to commence on	Thursday, 12 July

EXPECTED TIMETABLE

Notes:

- (1) All times refer to Hong Kong local time. Details of the structure of the Share Offer, including its conditions, are set out in the section headed “Structure and conditions of the Share Offer” in this prospectus.
- (2) An applicant will not be permitted to submit his application to the **HK eIPO White Form** Service Provider through the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If the applicant has already submitted his application and obtained an application reference number from the designated website prior to 11:30 a.m., the applicant will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a “black” rainstorm warning or a tropical cyclone warning signal number eight or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 4 July 2012, the application lists will not open on that day. Further information is set out in the sections headed “How to apply for the Public Offer Shares and Reserved Shares — I. How to apply for the Public Offer Shares — Effect of bad weather conditions on the opening of the application lists” and “How to apply for the Public Offer Shares and Reserved Shares — II. How to apply for the Reserved Shares — When may applications be made — (c) Effect of bad weather conditions on the opening of the application lists” in this prospectus. If the application lists do not open and close on Wednesday, 4 July 2012, the dates mentioned in this “Expected Timetable” may be affected. An announcement will be made by us in such event.
- (4) Applicants who apply for Public Offer Shares or Reserved Shares by giving **electronic application instructions** to HKSCC should refer to the section headed “How to apply for the Public Offer Shares and Reserved Shares — How to apply by giving electronic application instructions to HKSCC” in this prospectus.
- (5) e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Public Offer and the Preferential Offer. 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 cheque, 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 cheque. 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 cheque.
- (6) Share certificates for the Public Offer Shares and the Reserved Shares will become valid certificates of title at 8:00 a.m. on Thursday, 12 July 2012 provided that (i) the Share Offer has become unconditional in all respects and (ii) the Underwriting Agreement has not been terminated in accordance with its terms.
- (7) Applicants who have applied on **WHITE** or **BLUE** Application Forms or through the **HK eIPO White Form** service for 1,000,000 Offer Shares or more under the Public Offer or the Preferential Offer and have indicated in their applications that they wish to collect any refund cheque(s) and/or Share certificate(s) in person from our Hong Kong Share Registrar, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong, may do so in person from 9:00 a.m. to 1:00 p.m. on Wednesday, 11 July 2012. Applicants being individuals who are applying for 1,000,000 Offer Shares or more and opt for personal collection must not authorise any other person to make collection on their behalf. Applicants being corporations who are applying for 1,000,000 Offer Shares or more and opt for personal collection must attend by their authorised representatives bearing letters of authorisation from their corporations stamped with the corporations’ chop. Identification and (where applicable) authorisation documents acceptable to our Hong Kong Share Registrar, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong, must be produced at the time of collection.
- (8) Applicants who have applied on **YELLOW** Application Forms for 1,000,000 Public Offer Shares or more under the Public Offer may collect their refund cheque(s), where applicable, in person but may not elect to collect their Share certificate(s), which will be deposited into CCASS for the credit of their designated CCASS Participants’ stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedures for collection of refund cheque(s) for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants specified in note (7) above.

EXPECTED TIMETABLE

- (9) Applicants who apply for Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed “How to apply for the Public Offer Shares and Reserved Shares — How to apply by giving electronic application instructions to HKSCC” in this prospectus for details.
- (10) For applicants who have applied through the **HK eIPO White Form** service and paid the application monies from a single bank account, refund monies (where applicable) will be despatched to their application payment bank account in the form of e-Auto Refund payment instructions on Wednesday, 11 July 2012. For applicants who have applied through **HK eIPO White Form** service and paid the application monies from multiple bank accounts, refund monies (where applicable) in the form of refund cheque(s) will be despatched on Wednesday, 11 July 2012 by ordinary post at their own risk. Please refer to the section headed “How to apply for the Public Offer Shares and Reserved Shares — V. Despatch/Collection of Share certificates and refund of application money” in this prospectus for details.
- (11) Uncollected Share certificate(s) and refund cheque(s) will be despatched by ordinary post at the applicants’ own risk to the addresses specified in the relevant applications. Further details are set out in the section headed “How to Apply for the Public Offer Shares and Reserved Shares — V. Despatch/collection of share certificates and refund of application money” in this prospectus.

For details of the structure of the Share Offer, including the conditions thereof, please refer to the section headed “Structure and conditions of the Share Offer” 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 which is different from that contained in this prospectus. Any information or representation not made in this prospectus must not be relied upon by you as having been authorised by us, the Sole Sponsor, the Sole Lead Manager, the Underwriter, any of their respective directors, officers or representatives, or any other person or party involved in the Share Offer.

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SUMMARY

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

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

OVERVIEW

We are principally engaged in the OEM manufacturing and sourcing of packaging products. Our principal products include watch boxes, jewellery boxes, eyewear cases, bags and pouches and display units, which are manufactured at the PRC Processing Factories under the PRC Processing Agreements. We also source some of our display units for watches, jewellery, eyewear and other products required by our customers from third party suppliers and sell such display units to our customers. We have over 20 years of experience in the packaging industry and have long business relationship with our customers, some of which we have been collaborating with for over 15 years.

OUR PRODUCTS

Our products portfolio comprises principally packaging products for watches, jewellery and eyewear products, such as (1) packaging cases (made of metal, plastic and paper), (2) bags and pouches (made of artificial suede, imitation leather and other fabric material) and (3) display units for watches, jewellery and eyewear products (made of acrylic, wood, metal and other materials such as imitation leather).

The following table sets forth a breakdown of our Group's sales by product category for each of the years ended 31 December 2009, 2010 and 2011:

	2009		For year ended 31 December 2010		2011	
	Revenue HK\$'000	Percentage of total revenue	Revenue HK\$'000	Percentage of total revenue	Revenue HK\$'000	Percentage of total revenue
Packaging cases	189,963	64.5%	242,576	62.0%	281,692	67.3%
Bags and pouches	13,287	4.5%	23,728	6.1%	17,127	4.1%
Display units	76,938	26.1%	105,007	26.9%	103,580	24.7%
Others (<i>note</i>)	14,483	4.9%	19,741	5.0%	16,261	3.9%
Total	<u>294,671</u>	<u>100%</u>	<u>391,052</u>	<u>100%</u>	<u>418,660</u>	<u>100%</u>

Note: "Others" include revenue generated from products/accessories, such as cushions, booklets, cards, plastic tags and presentation materials, and other income such as artwork charges, mould charges and extra delivery charges.

OUR BUSINESS MODEL

We are principally engaged in the OEM manufacturing and sourcing of packaging products based on our customers' specifications.

SUMMARY

Our sales and marketing functions are principally carried out in Hong Kong by our Group's sales and marketing team to provide services to our customers worldwide. We also design and develop our packaging products in Hong Kong, while the sample making and the manufacturing operations of our Group's products are carried out in the PRC at two PRC Processing Factories, namely Zhongshan Processing Factory and Guanlan Processing Factory, under the PRC Processing Agreements. As at 31 December 2011, the production capacity of our Group through the PRC Processing Factories (in terms of machine hours of all injection moulding machines) was about 195,360 hours and the average utilisation rate thereof was about 84%. Please also refer to the section headed "Business — Production facilities" in this prospectus for further information about these PRC Processing Factories and the PRC Processing Agreements.

We are engaged by our customers directly through their orders to manufacture or source packaging products based on the requirements of our customers, such as in respect of product outlook and dimensions, material, technical standard, labour conditions and/or product safety. Most of our packaging products are manufactured by us at the PRC Processing Factories and, in respect of some of the display units ordered by our customers which involve more complex manufacturing process or production materials, we also source these display units by engaging third party suppliers to manufacture these display units based on our Group's or our customers' product design and our customers' other requirements.

OUR SALES AND MARKETING

Our Group has a diversified customer base and had a total of about 730 customers during the Track Record Period. Our customers include owners or carriers of internationally renowned brands for watches, jewellery and eyewear products and other customers such as traders of packaging products. For each of the years ended 31 December 2009, 2010 and 2011, our Group had transactions with about 430, 470 and 430 customers, respectively.

During the Track Record Period, most of our revenue was derived from sales to customers in Europe, Hong Kong, and North and South America. The following table sets forth, for the years indicated, the breakdown of our revenue categorised by geographical locations of our customers.

	For year ended 31 December					
	2009		2010		2011	
	Revenue <i>HK\$'000</i>	Percentage of revenue	Revenue <i>HK\$'000</i>	Percentage of revenue	Revenue <i>HK\$'000</i>	Percentage of revenue
Europe	145,710	49.4%	172,690	44.2%	154,850	37.0%
Hong Kong	89,354	30.3%	131,330	33.6%	145,461	34.7%
North and South America	41,709	14.2%	64,272	16.4%	83,539	20.0%
Others	17,898	6.1%	22,760	5.8%	34,810	8.3%
Total	294,671	100%	391,052	100%	418,660	100%

Our top ten customers during the Track Record Period, the sales to whom accounted for about 56.6%, 64.2% and 58.5% of our total revenue during each of the years ended 31 December 2009, 2010 and 2011, respectively, are either brand owners or carriers or traders of packaging products. Set out below is an analysis of our revenue attributable to these customers by customer type during the Track Record Period:

SUMMARY

	For year ended 31 December		
	2009	2010	2011
	Percentage of total revenue	Percentage of total revenue	Percentage of total revenue
Brand owners/carriers	36.6%	42.1%	39.9%
Traders of packaging products	20.0%	22.1%	18.6%
Total	<u>56.6%</u>	<u>64.2%</u>	<u>58.5%</u>

During the Track Record Period, we experienced CAGRs of about 19.2% and 47.3% in respect of our revenue and net profit respectively, and our Group maintained a gross profit margin of about 19.3%, 19.3% and 20.5% for each of the three years ended 31 December 2011, respectively. Our Directors consider that such growth in revenue and net profit and the relatively stable gross profit margins achieved by us during the Track Record Period despite fluctuations in the global economy were attributable to our continued success in controlling costs and maintaining our product quality at reasonable costs for satisfying our customers' requirements. It also demonstrates our success in capturing the business opportunities with our extensive experience and strong market position in the packaging products industry, and our dedication to product quality.

PRC PROCESSING FACTORIES AND PRC PROCESSING AGREEMENTS

Our Group's manufacturing operations are carried out in two production facilities in the PRC, namely Zhongshan Processing Factory and Guanlan Processing Factory, under the PRC Processing Agreements for manufacturing our products. The principal terms of the PRC Processing Agreements are summarised and set out in the section headed "Business — Production facilities — PRC Processing Agreements" of this prospectus.

As advised by our PRC legal advisers, Zhongshan Processing Factory is a legal entity (企業法人) with its own enterprise legal entity business licence (企業法人營業執照) and is a separate legal entity from our Group with its own civil capability, while Guanlan Processing Factory is not a legal entity under PRC law and is incapable of assuming any civil liability on its own. As advised by our PRC legal advisers, in respect of a contract processing factory which does not have a legal entity status, it is the judicial practice of the PRC that the foreign party to the contract processing agreement will be deemed to be jointly liable for the civil liabilities owing by the contract processing factory to any third party; the contract processing factory shall be primarily liable for such civil liabilities, and the foreign party thereunder shall be jointly liable if and to the extent that such liabilities cannot be met by the assets of the contract processing factory. As advised by our PRC legal advisers, based on the terms of the Guanlan Processing Agreement and the aforesaid judicial practice of the PRC, it is the contractual obligation of our Group to be jointly liable with the Guanlan Processing Factory in respect of the liabilities of Guanlan Processing Factory owing to any third party arising from or in connection with the performance of its duties under the Guanlan Processing Agreement, and our Group shall assume such liabilities if and to the extent that they cannot be met by Guanlan Processing Factory out of its own assets. Please refer to the section headed "Business — Production facilities" of this prospectus for further information on the PRC Processing Factories.

SUMMARY

OUR COMPETITIVE STRENGTH

We attribute our success to the following key competitive strengths:

- Our refined quality management system and high quality products
- Our long business relationship with our customers and established customer base
- Our comprehensive product range and model portfolio and ability to offer product development services to our customers
- Our experienced management team with a proven track record

Please refer to the section headed “Business — Competitive strengths” in this prospectus for further information about our Group’s competitive strengths.

OUR BUSINESS STRATEGIES

With our proven track record, our Directors believe that our Group is well-positioned to further develop our business and to capture new business opportunities. We aim to continue to establish our market presence in the packaging industry and focus on product quality to capture growth in this market. To achieve this, we plan to continue to capitalise on opportunities to leverage our competitive strengths and implement our business strategies:

- To perform stringent quality control to maintain product quality
- To strengthen and expand our customer base
- To continuously expand our product range and model portfolio
- To maintain our profitability through stringent cost-control policy

Please refer to the section headed “Business — Business strategies” in this prospectus for further information about our business strategies and future plans.

RISK FACTORS

Investing in our Shares involves substantial risk and our ability to successfully operate our business is subject to numerous risks, including those that are generally associated with operating in the PRC. Any of the factors set forth under the section headed “Risk Factors” in this prospectus may limit our ability to successfully execute our business strategy. For example, we rely on the two PRC Processing Factories for the production of our products under processing arrangements, and therefore the manufacturing operations for our products are particularly vulnerable to any disruption or cessation of operation of any of these facilities for whatever reason, including factors that are beyond our control, and also non-compliance of the applicable laws and regulations by the PRC Processing Factories. We also rely on third party suppliers for the supply of a significant portion of the display units sold by us. On the other hand, as some of our customers are owners or carriers of internationally renowned brands of watches, jewellery and eyewear products, our sales are also dependent on, among others, the sales of these underlying products. These risks can be categorised

SUMMARY

into (i) risks relating to our Group; (ii) risks relating to the industry; (iii) risks relating to conducting business in the PRC; and (iv) risks relating to the Share Offer. You should carefully consider all of the information set forth in this prospectus and, in particular, you should evaluate the specific factors as set out in the section headed “Risk Factors” of this prospectus in deciding whether to invest in our Shares.

OUR SHAREHOLDERS

Assuming that all CC Land Qualifying Shareholders take up their respective Assured Entitlement under the Preferential Offer in full, and taking no account of any Public Offer Shares which may be taken up by our Controlling Shareholders under the Public Offer and any Shares which may be allotted and issued pursuant to the exercise of options that may be granted under the Share Option Scheme, immediately after the completion of the Distribution and the Share Offer, Thrivetrade and Regulator Holdings will be interested in about 39.72% and 9.66% respectively of our enlarged issued share capital. The entire issued share capital of Thrivetrade is owned by Mr. Cheung. Regulator Holdings is wholly owned by Yugang, the issued share capital of which is held as to about 44.06% in the aggregate by Chongqing Industrial Limited, Timmex Investment Limited and Mr. Cheung. Chongqing Industrial Limited and Timmex Investment Limited are controlled by Mr. Cheung. Therefore, Thrivetrade, Regulator Holdings and Mr. Cheung are our Controlling Shareholders.

Please refer to the section headed “Relationship with Controlling Shareholders and CC Land” in this prospectus for further information about our Controlling Shareholders and their relationship with us.

SUMMARY FINANCIAL INFORMATION

The following tables present a highlight of the audited combined statements of comprehensive income of our Group for the years ended 31 December 2009, 2010 and 2011, and a highlight of the audited combined statements of financial position of our Group as of 31 December 2009, 2010 and 2011. These summaries have been derived from and should be read in conjunction with the combined financial information set forth in the Accountants’ Report in Appendix I to this prospectus. The following combined financial information has been prepared in accordance with Hong Kong Financial Reporting Standards.

Highlight of audited combined statements of comprehensive income of our Group

	For year ended 31 December		
	2009	2010	2011
	HK\$'000	HK\$'000	HK\$'000
Revenue	294,671	391,052	418,660
Gross profit	56,788	75,332	85,925
Profit for the year	19,125	31,428	41,490
Profit for the year attributable to owners of the Company	16,442	27,378	37,828

SUMMARY

Highlight of audited combined statements of financial position of our Group

	As at 31 December		
	2009 HK\$'000	2010 HK\$'000	2011 HK\$'000
Total non-current assets	151,503	146,540	139,210
Total current assets	132,021	165,582	149,723
Total current liabilities	181,913	182,991	121,422
Net current assets/(liabilities)	(49,892)	(17,409)	28,301
Non-current liabilities	1,083	1,095	1,017
Net assets	100,528	128,036	166,494

The following tables set out our Group's gross profit, gross profit margin and the percentage contribution to revenue by major product categories for the years indicated:

	Year ended 31 December								
	2009			2010			2011		
	Gross profit HK\$'000	margin	% of revenue contribution	Gross profit HK\$'000	margin	% of revenue contribution	Gross profit HK\$'000	margin	% of revenue contribution
— Packaging cases	27,290	14.4%	64.5%	34,047	14.0%	62.0%	46,780	16.6%	67.3%
— Bags and pouches	4,968	37.4%	4.5%	10,300	43.4%	6.1%	5,674	33.1%	4.1%
— Display units	21,026	27.3%	26.1%	24,528	23.4%	26.9%	27,225	26.3%	24.7%
— Others (note)			4.9%			5.0%			3.9%
Overall gross profit margin		19.3%			19.3%			20.5%	

Note: "Others" include revenue generated from products/accessories such as cushions, booklets, cards, plastic tags and presentation materials, and also other income such as artwork charges, mould charges and extra delivery charges. No gross profit analysis is available.

KEY FINANCIAL RATIOS

Set out below is the summary of the key financial ratios of our Group during the Track Record Period:

	For year ended 31 December		
	2009	2010	2011
Gross profit margin	19.3%	19.3%	20.5%
Net profit margin	6.5%	8.0%	9.9%
Return on equity	16.7%	21.8%	23.1%
Return on total assets	5.8%	8.8%	13.1%
Average inventories turnover days	62.3	45.1	45.0
Average debtors' turnover days	56.4	42.5	43.0
Average creditors' turnover days	51.9	46.3	46.4

	As at 31 December		
	2009	2010	2011
Current ratio	72.6%	90.5%	123.3%
Gearing ratio	0%	0%	0%
Quick ratio	53.4%	66.9%	91.2%

SUMMARY

Please refer to the section headed “Financial information” in this prospectus for further financial information of our Group.

RECENT BUSINESS DEVELOPMENT

Set out below is the key financial information of our Group for the four months ended 30 April 2012 together with that for the corresponding period in 2011 as extracted by our Directors from the unaudited condensed combined interim financial statements of our Group for the four months ended 30 April 2012 (the “April 2012 financial statements”). Our Directors are responsible for the preparation and fair presentation of the April 2012 financial statements in accordance with Hong Kong Accounting Standard 34 “*Interim Financial Reporting*” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The April 2012 financial statements are unaudited but have been reviewed by our Company’s reporting accountants, Ernst & Young, in accordance with the Hong Kong Standard on Review Engagements 2410 “*Review on Interim Financial Information Performed by the Independent Auditor of the Entity*” issued by the HKICPA.

	For four months ended		Percentage
	30 April 2012	30 April 2011	decrease
	<i>HK\$’000</i>	<i>HK\$’000</i>	%
	(unaudited)	(unaudited)	
Revenue	101,639	130,624	22.2%
Gross profit	18,313	27,124	32.5%
Profit before tax	5,957	13,969	57.4%
Income tax expense	(558)	(1,500)	62.8%
Profit for the period	5,399	12,469	56.7%
Profit for the period attributable to owners of the Company	5,538	11,086	50.0%
			Decrease
Gross profit margin	18.0%	20.8%	2.8%
Net profit margin	5.3%	9.5%	4.2%

The following represents management analysis on our Group’s results for the four months ended 30 April 2012 which does not form part of the April 2012 financial statements.

Based on the April 2012 financial statements of our Group for the four months ended 30 April 2012 and that for the corresponding period in 2011, (i) the average unit selling price of each of the three principal categories of our products, namely packaging cases, bags and pouches, and display units, recorded an increase of about 4.3%, 21.4% and 11.6%, respectively as compared to the corresponding period in 2011; and (ii) the sales quantities of packaging cases, bags and pouches, and display units recorded a decrease of about 15.2%, 30.8% and 60.4%, respectively as compared to the corresponding period in 2011.

As shown above, our revenue decreased by about 22.2% for the four months ended 30 April 2012 as compared to the corresponding period in 2011. Our Directors consider that the decrease in revenue was mainly due to the drop in market demand for packaging products and display units for the four months ended 30 April 2012 caused mainly by, among others, the debt crisis in Europe, which affected the economic conditions and consumer confidence, and thereby demands in our products. Due to the decrease in the sale quantities of our major products, in particular, the significant decrease of the sales quantities of display units (the average selling price of which was higher than that of packaging cases and bags and pouches), our revenue decreased for the four months ended 30 April 2012 notwithstanding the increase in the average unit selling price of these products during the period.

SUMMARY

Our Directors consider that the decrease in gross profit, gross profit margin and net profit during the four months ended 30 April 2012 as compared with that in 2011 was mainly attributable to the decrease in our revenue and the increase in the average processing fees per unit of our product to the PRC Processing Factories during the period which in turn was primarily affected by the increase in the average labour costs of the PRC Processing Factories per unit of our product.

Meanwhile, our Directors also note that the average unit purchase prices of paper and resin purchased by our Group over the four months ended 30 April 2012 exhibited a decrease of about 11.7% and an increase of about 3.3%, respectively, as compared with the four months ended 30 April 2011, and that over the period from 1 May 2012 and up to 15 June 2012 exhibited a decrease of about 6.9% and 1.4%, respectively, as compared with the four months ended 30 April 2012.

As of 15 June 2012, the aggregate orders for our products delivered or scheduled for delivery from 1 May 2012 to 31 December 2012 were estimated to be about HK\$149 million. In respect of the aforementioned orders, the average unit selling prices of each of the three principal categories of our products, namely packaging cases, bags and pouches, and display units, were about 7.0%, 14.5% and 8.7% higher than the respective average unit selling prices of the packaging cases, bags and pouches, and display units sold during the four months ended 30 April 2012. It is expected that the average processing fees to the PRC Processing Factories per unit of our products for the year ending 31 December 2012 may also increase as a result of (among others) increase in the average labour costs in the PRC per unit of our products in 2012.

Our Directors take the view that if the adverse market conditions persist, they may continue to affect the demand of our products, which may in turn affect our bargaining power in terms of the selling prices of our products for the forthcoming period of 2012, and there may be a downward pressure on the quantities of our products sold and our gross profit margin for the year ending 31 December 2012. Taking into account our Group's financial performance for the four months ended 30 April 2012, the status of our order book as of 15 June 2012 and the expected increase in the average processing fees per unit of our products in 2012, if the market demand for packaging products and display units remains weak for 2012, our Group's financial results for the first six months ending 30 June 2012 and for the year ending 31 December 2012 may decline as compared with the corresponding periods in 2011.

MATERIAL ADVERSE CHANGE

Our Directors confirm that there was material adverse change in our financial or trading position of our Group since 31 December 2011 (being the date to which our latest audited combined financial results were prepared as set out in the "Accountants' Report" in Appendix I to this prospectus) up to the date of this prospectus. For details, please refer to the paragraph headed "Recent business development" of this section.

SUMMARY

THE DISTRIBUTION

Pursuant to the Distribution, subject to the Listing becoming unconditional, each CC Land Qualifying Shareholder will be entitled to the payment of a special interim dividend which will be satisfied by way of distribution of one Share for every whole multiple of 20 CC Land Shares held by them as at the close of business on the Record Date. Based on the issued share capital of CC Land as at the Record Date, a total of 129,389,994 Shares will be distributed to the CC Land Qualifying Shareholders to effect the Distribution.

The Distribution has been conditionally approved by the board of directors of CC Land and is still subject to the Listing becoming unconditional. Definitive certificates for the Shares are expected to be despatched to the CC Land Qualifying Shareholders on Wednesday, 11 July 2012. The Share certificates will only become valid certificates of title at 8:00 a.m. on Thursday, 12 July 2012 provided that (i) the Share Offer has become unconditional in all respects and (ii) the Underwriting Agreement has not been terminated in accordance with its terms.

Please refer to the section headed “Distribution and Spin-off” in this prospectus for further information.

SPIN-OFF

On 29 December 2011, CC Land submitted a proposal for the Spin-off to the Stock Exchange pursuant to Practice Note 15 of the Listing Rules. The Spin-off is conditional upon:

- (a) the Stock Exchange approving the Spin-off; and
- (b) the Listing Committee granting the listing of, and permission to deal in, our Shares in issue and any Shares, up to 10% of the Shares in issue as at the date of approval of the Share Option Scheme in accordance with the Listing Rules, to be issued pursuant to the exercise of the options that may be granted under the Share Option Scheme, on the Main Board.

The board of directors of CC Land believes that the Spin-off will benefit both CC Land and our Company in that the Spin-off will (among others) allow separate platforms for the businesses of the two groups with different growth paths and business strategies, and through the Distribution and the Preferential Offer, return value to the CC Land Shareholders in the form of liquid securities. Please refer to the section headed “Distribution and Spin-off - Reasons for the Spin-off” for further details.

SUMMARY

OFFER STATISTICS

Market capitalisation of the Shares (<i>note 1</i>)	HK\$228.6 million
Historical price/earnings multiple — pro forma fully diluted (<i>note 2</i>)	6 times
Unaudited pro forma adjusted net tangible asset value per Share (<i>note 3</i>)	HK\$1.28

Notes:

- (1) The calculation of the market capitalisation of the Shares is based on 143,765,993 Shares expected to be in issue immediately following completion of the Share Offer but takes no account of any Shares which may be issued upon the exercise of any option that may be granted under the Share Option Scheme or any Shares which may be allotted, issued or repurchased by our Company pursuant to the general mandates for the allotment and issue or repurchase of Shares.
- (2) The calculation of price/earnings multiple on a pro forma fully diluted basis is based on the historical combined profit attributable to ordinary equity holders of the Company for the year ended 31 December 2011 at the Offer Price of HK\$1.59 per Share, and on the basis that 143,765,993 Shares had been in issue throughout the year (assuming the Shares in issue to effect the Distribution and the Shares to be issued pursuant to the Share Offer had been in issue on 1 January 2011 but takes no account of any Shares which may be issued upon the exercise of any option that may be granted under the Share Option Scheme or any Shares which may be allotted, issued or repurchased by our Company pursuant to the general mandates for the allotment and issue or repurchase of Shares.
- (3) The unaudited pro forma adjusted net tangible assets per Share is calculated based on 143,765,993 Shares expected to be in issue immediately following the completion of the Share Offer but takes no account of any Shares which may be issued upon the exercise of any option that may be granted under the Share Option Scheme or any Shares which may be allotted, issued or repurchased by our Company pursuant to the general mandates for the allotment and issue or repurchase of Shares.

SUMMARY

DIVIDEND POLICY

During each of the years ended 31 December 2009, 2010 and 2011 and the period commencing from 1 January 2012 up to the Latest Practicable Date, one of our subsidiaries declared dividends of about HK\$8.0 million, HK\$8.0 million, HK\$7.0 million and HK\$3.0 million, respectively to its then shareholders. As at the Latest Practicable Date, all such dividends declared had been fully settled.

Our historical dividend distributions in the past are not indicative of our future dividend policy. In general, the amount of future dividends, if any, that may be declared by our Company will depend on our Group's results, working capital requirement, cash position, capital requirements, the provisions of the relevant laws and other factors as may be considered relevant at such time by our Directors. The declaration, form, payment and amount of dividends will be subject to the Board's discretion and the approval of our Shareholders from time to time.

USE OF PROCEEDS

Our Directors estimate that the net proceeds to be received by our Company from the Share Offer will be about HK\$20.6 million, after deducting the underwriting commissions and other estimated expenses payable by our Company in relation to the Share Offer.

Our Directors presently intend to use the net proceeds from the Share Offer as follows:

- about 40% will be used for the acquisition and replacement of machinery and equipment for enhancing our production efficiency and capability, with an expected increase by about one-tenth of the annual production capacity from the additional machinery and equipment;
- about 40% will be used to explore new business opportunities and enhance market awareness of products manufactured by our Group, as to about 18% for participation in various trade fairs and exhibitions, about 15% for strengthening our Group's sales and marketing team by recruitment of additional staff for sales and marketing, and about 7% for general use for marketing activities;
- about 10% will be used to enhance our Group's capability of design and development of our Group's manufactured products by, amongst others, acquisition of new computer hardware and software; and
- about 10% will be used for working capital and other general corporate purposes

To the extent that the net proceeds of the Share Offer are not immediately required for the above purposes, our Directors presently intend that such proceeds will be placed on short-term deposits with licensed banks or financial institutions in Hong Kong.

DEFINITIONS

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

“Ablelink”	Ablelink Investments Limited, a company with limited liability incorporated in the BVI on 3 December 2002, and which was a wholly-owned subsidiary of Qualipak Development prior to the implementation of the Reorganisation and the entire issued share capital of which was acquired by Mighty Gain as part of the Reorganisation, particulars of which are described in the section headed “History, Development and Corporate Reorganisation — Our Reorganisation” in this prospectus. As a result of the Reorganisation, it was carved out from our Group and as at the Latest Practicable Date, it was no longer a member of our Group
“Application Form(s)”	WHITE Application Form(s), YELLOW Application Form(s), GREEN Application Form(s) and BLUE Application Form(s) or where the context so requires, any of them, to be used in relation to the Public Offer or the Preferential Offer
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Assured Entitlement(s)”	the entitlement of a CC Land Qualifying Shareholder to apply for Reserved Shares under the Preferential Offer on the basis of one Reserved Share for every whole multiple of 300 CC Land Shares held by that CC Land Qualifying Shareholder at the close of business on the Record Date
“Big Focus”	Big Focus Limited (鴻匯有限公司), a company with limited liability incorporated in the BVI on 13 November 2006, and an indirect wholly-owned subsidiary of our Company
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, Sunday or public holiday) in Hong Kong on which banks in Hong Kong are open generally for normal banking business
“BVI”	the British Virgin Islands
“Bye-laws”	the bye-laws of our Company, conditionally adopted on 19 June 2012 to become effective upon the Listing, and as amended from time to time, a summary of which is set out in Appendix IV to this prospectus
“Capitalisation Issue”	the allotment and issue of 2,193,832 Shares to CC Land by capitalising and applying HK\$219,383.20 standing to the credit of the contributed surplus account of our Company

DEFINITIONS

“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant(s)”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant(s)”	a CCASS Clearing Participant or a CCASS Custodian Participant or a CCASS Investor Participant
“CC Land”	C C Land Holdings Limited (中渝置地控股有限公司), a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board (Stock Code: 1224)
“CC Land Finance”	C C Land Finance Limited (中渝置地財務有限公司), formerly known as Qualipak Finance Limited (確利達財務有限公司), a company with limited liability incorporated in Hong Kong on 14 February 2000, and which was a wholly-owned subsidiary of Qualipak Development prior to the implementation of the Reorganisation and the entire issued share capital of which was acquired by Mighty Gain as part of the Reorganisation, particulars of which are described in the section headed “History, development and corporate reorganisation — Our Reorganisation” in this prospectus. As a result of the Reorganisation, it was carved out from our Group and as at the Latest Practicable Date, it was no longer a member of our Group
“CC Land Fractional Shareholders”	the CC Land Shareholders whose names appear on the register of members of CC Land at the close of business on the Record Date and were shown as holding less than 300 CC Land Shares
“CC Land Group”	CC Land and its subsidiaries before the Spin-off, which includes our Group

DEFINITIONS

“CC Land Portfolio”	C C Land Portfolio Inc., formerly known as Qualipak Portfolio Inc., a company with limited liability incorporated in the BVI on 13 December 2000, and which was a wholly-owned subsidiary of Qualipak Development prior to the implementation of the Reorganisation and the entire issued share capital of which was acquired by Mighty Gain as part of the Reorganisation, particulars of which are described in the section headed “History, Development and Corporate Reorganisation — Our Reorganisation” in this prospectus. As a result of the Reorganisation, it was carved out from our Group and as at the Latest Practicable Date, it was no longer a member of our Group
“CC Land Qualifying Shareholder(s)”	CC Land Shareholder(s) whose name(s) appear on the register of members of CC Land at the close of business on the Record Date
“CC Land Shares”	ordinary shares of HK\$0.10 each in the share capital of CC Land
“CC Land Shareholder(s)”	holder(s) of CC Land Shares
“CG Code”	the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules
“Circular 37”	《國家稅務總局涉外稅務管理司關於下發同香港特別行政區稅務代表團就〈內地和香港特別行政區關於對所得避免雙重徵稅的安排〉磋商情況通報的通知》(SAT Circular on Arrangement between the PRC and Hong Kong for the Avoidance of Double Taxation on Income*) promulgated by SAT on 18 June 1998
“Circular 403”	《國家稅務總局關於〈內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排〉有關條文解釋和執行問題的通知》(SAT Circular on Arrangement between the PRC and Hong Kong for the Avoidance of Double Taxation on Income and Prevention on Tax Evasion*) promulgated by SAT on 4 April 2007
“Companies Act”	the Companies Act 1981 of Bermuda, as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	Qualipak International Holdings Limited (確利達國際控股有限公司), an exempted company with limited liability incorporated in Bermuda on 24 October 2011 under the Companies Act

DEFINITIONS

“Controlling Shareholders”	has the meaning ascribed thereto under the Listing Rules and, in the context of this prospectus, means the controlling shareholders of our Company immediately after the Distribution and the Share Offer, being Mr. Cheung, Thrivetrade and Regulator Holdings, and each a “Controlling Shareholder”. Please refer to the section headed “Relationship with Controlling Shareholders and CC Land” in this prospectus for further details
“Deed of Non-competition”	a deed of non-competition dated 21 June 2012 entered into between our Company, the Controlling Shareholders and CC Land, as further described in the paragraph headed “Deed of Non-competition” under the section headed “Relationship with Controlling Shareholders and CC Land” in this prospectus
“DIPN 21”	Departmental Interpretation and Practice Notes No.21 (Revised in December 2009) issued by the IRD
“Director(s)”	director(s) of our Company
“Distribution”	the payment of a special interim dividend by CC Land to the CC Land Shareholders to be satisfied by way of distribution in specie of such number of Shares to the CC Land Qualifying Shareholders in the proportion of one Share for every whole multiple of 20 CC Land Shares held by them as at the close of business on the Record Date
“Dr. Lam”	Dr. Lam How Mun Peter, one of the founders of our Group, and our chairman of the Board and non-executive Director
“Empire New Assets”	Empire New Assets Limited, a company with limited liability incorporated in the BVI on 18 April 2005, and an indirect wholly-owned subsidiary of our Company
“Ensure Success”	Ensure Success Holdings Limited, a company with limited liability incorporated in the BVI on 26 April 2004, and which was a wholly-owned subsidiary of Qualipak Development prior to the implementation of the Reorganisation and the entire issued share capital of which was acquired by Mighty Gain as part of the Reorganisation, particulars of which are described in the section headed “History, development and corporate reorganisation — Our Reorganisation” in this prospectus. As a result of the Reorganisation, it was carved out from our Group and as at the Latest Practicable Date, it was no longer a member of our Group

DEFINITIONS

“Global Palace”	Global Palace Investments Limited, a company with limited liability incorporated in the BVI on 2 January 2002, and which was a wholly-owned subsidiary of Qualipak Development prior to the implementation of the Reorganisation and the entire issued share capital of which was acquired by Mighty Gain as part of the Reorganisation, particulars of which are described in the section headed “History, development and corporate reorganisation — Our Reorganisation” in this prospectus. As a result of the Reorganisation, it was carved out from our Group and as at the Latest Practicable Date, it was no longer a member of our Group
“Group”, “our Group”, “we”, “our” or “us”	our Company and our subsidiaries or, where the context otherwise requires, in respect of the period before our Company became the holding company of our present subsidiaries, the present subsidiaries of our Company, some or any of them and the businesses carried on by such subsidiaries
“Guanlan Processing Agreement”	the processing agreement and the supplemental agreements thereto relating to the Guanlan Processing Factory as referred to in the section headed “Business — Production — PRC Processing Agreements — (ii) Guanlan Processing Agreement” in this prospectus
“Guanlan Processing Factory”	the processing factory named Baoan Guanlan Qualipak Plastics Factory* (寶安區觀瀾確必達塑膠廠) established in the PRC on 11 July 1991, located at No.6 Industrial Zone, Guanlan Town, Baoan District, Shenzhen, Guangdong Province, the PRC operated pursuant to the Guanlan Processing Agreement
“Haitong Int’l Capital” or “Sole Sponsor”	Haitong International Capital Limited, a licensed corporation to carry on Type 6 (advising on corporate finance) regulated activity for the purpose of SFO, being the sole sponsor to the Share Offer
“Haitong Int’l Securities” or “Sole Lead Manager”	Haitong International Securities Company Limited, a licensed corporation to carry on Type 1 (dealing in securities), Type 3 (leveraged foreign exchange trading) and Type 4 (advising on securities) regulated activities for the purpose of SFO, being the sole lead manager of the Share Offer
“HK eIPO White Form”	the application for Public Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of the HK eIPO White Form Service Provider at www.hkeipo.hk
“HK eIPO White Form Service Provider”	the HK eIPO White Form service provider designated by our Company as specified on the designated website at www.hkeipo.hk

DEFINITIONS

“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hoi Tin Universal”	Hoi Tin Universal Limited (海天環球有限公司), a company with limited liability incorporated in Hong Kong on 15 March 1994, the entire issued share capital of which was held as to 60% by Ensure Success, 20.8% by Chau Tin Ping, 9.2% by Wong Kam Hoi and 10% by Wong Kong, respectively. As a result of the Reorganisation, particulars of which are described in the section headed “History, Development and Corporate Reorganisation — Our Reorganisation” in this prospectus, it, together with Ensure Success, were carved out from our Group and as at the Latest Practicable Date, it was no longer a member of our Group
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Share Registrar”	Tricor Secretaries Limited, the Hong Kong branch share registrar of our Company
“Independent Third Party(ies)”	an individual(s) or a company(ies) which is/are independent of and not connected with (within the meaning of the Listing Rules), the directors, the chief executives and the substantial shareholders of our Company and our subsidiaries and their respective associates
“Ipsos Report”	a report dated 28 June 2012 and prepared by Ipsos Hong Kong Limited, an independent market research company commissioned by us. The report analyses, among other things, the global market for packaging for watches, jewellery and eyewear and watch point-of-sale display units
“IRD”	Inland Revenue Department of Hong Kong
“King Place”	King Place Investments Limited (京軒投資有限公司), a company with limited liability incorporated in the BVI on 22 June 2006, and an indirect wholly-owned subsidiary of our Company
“Latest Practicable Date”	22 June 2012, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information in this prospectus

DEFINITIONS

“Listing”	the listing of the Shares on the Main Board
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange
“Listing Date”	the date on which trading of the Shares on the Main Board first commences, which is currently expected to be 12 July 2012
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Magic Hands”	Magic Hands International Limited, a company with limited liability incorporated in the BVI on 2 September 2002, and which was a wholly-owned subsidiary of Qualipak Development prior to the implementation of the Reorganisation and the entire issued share capital of which was acquired by Mighty Gain as part of the Reorganisation, particulars of which are described in the section headed “History, development and corporate reorganisation — Our Reorganisation” in this prospectus. As a result of the Reorganisation, it was carved out from our Group and as at the Latest Practicable Date, it was no longer a member of our Group
“Main Board”	the stock market operated by the Stock Exchange, which excludes Growth Enterprise Market of the Stock Exchange and the options market
“Mega Praise”	Mega Praise Limited (兆頌有限公司), formerly known as Gainwin Packaging Limited (勁運包裝有限公司), a company with limited liability incorporated in Hong Kong on 24 March 1994, and which was a wholly-owned subsidiary of Qualipak Manufacturing prior to the implementation of the Reorganisation and the entire issued share capital of which was acquired by Mighty Gain as part of the Reorganisation, particulars of which are described in the section headed “History, development and corporate reorganisation — Our Reorganisation” in this prospectus. As a result of the Reorganisation, it was carved out from our Group and as at the Latest Practicable Date, it was no longer a member of our Group

DEFINITIONS

“Mighty Classique”	Mighty Classique Inc., formerly known as Qualipak Classique Inc. (確實達(雅適)有限公司*), a company with limited liability incorporated in the BVI on 3 April 2001, and which was a wholly-owned subsidiary of Qualipak Development prior to the implementation of the Reorganisation and the entire issued share capital of which was acquired by Mighty Gain as part of the Reorganisation, particulars of which are described in the section headed “History, development and corporate reorganisation — Our Reorganisation” in this prospectus. As a result of the Reorganisation, it was carved out from our Group and as at the Latest Practicable Date, it was no longer a member of our Group
“Mighty Classique HK”	Mighty Classique (Hong Kong) Limited (灝盈雅適(香港)有限公司), formerly known as Qualipak Classique (Hong Kong) Limited (確實達(香港)有限公司), a company with limited liability incorporated in Hong Kong on 14 March 2001, and which was a wholly-owned subsidiary of Qualipak Development prior to the implementation of the Reorganisation and the entire issued share capital of which was acquired by Mighty Gain as part of the Reorganisation, particulars of which are described in the section headed “History, development and corporate reorganisation — Our Reorganisation” in this prospectus. As a result of the Reorganisation, it was carved out from our Group and as at the Latest Practicable Date, it was no longer a member of our Group
“Mighty Gain”	Mighty Gain Enterprises Limited (灝盈企業有限公司), a company with limited liability incorporated in the BVI on 29 November 2011, and a wholly-owned subsidiary of CC Land
“Mighty Gain Holdings”	Mighty Gain Holdings Limited (灝盈控股有限公司), formerly known as Qualipak International Holdings Limited (確利達國際控股有限公司), a company with limited liability incorporated in Hong Kong on 18 October 2006, and which was a wholly-owned subsidiary of Qualipak Development prior to the implementation of the Reorganisation and the entire issued share capital of which was acquired by Mighty Gain as part of the Reorganisation, particulars of which are described in the section headed “History, development and corporate reorganisation — Our Reorganisation” in this prospectus. As a result of the Reorganisation, it was carved out from our Group and as at the Latest Practicable Date, it was no longer a member of our Group

DEFINITIONS

“Mighty Gain Investments”	Mighty Gain Investments Limited, formerly known as International Displays Manufacturing Limited, a company with limited liability incorporated in Hong Kong on 2 June 2009, which was a wholly-owned subsidiary of Theme Production prior to the implementation of the Reorganisation and the entire issued share capital of which was acquired by Mighty Gain as part of the Reorganisation, particulars of which are described in the section headed “History, development and corporate reorganisation — Our Reorganisation” in this prospectus. As a result of the Reorganisation, it was carved out from our Group and as at the Latest Practicable Date, it was no longer a member of our Group
“Mighty Gain Wonder”	Mighty Gain Wonder Inc., formerly known as Qualipak Wonder Inc. (確益達有限公司*), a company with limited liability incorporated in the BVI on 3 June 1991, and which was a wholly-owned subsidiary of Qualipak Manufacturing prior to the implementation of the Reorganisation and the entire issued share capital of which was acquired by Mighty Gain as part of the Reorganisation, particulars of which are described in the section headed “History, development and corporate reorganisation — Our Reorganisation” in this prospectus. As a result of the Reorganisation, it was carved out from our Group and as at the Latest Practicable Date, it was no longer a member of our Group
“Mighty Vision”	Mighty Vision Inc., formerly known as Qualipak Vision Inc. (確威達有限公司*), a company with limited liability incorporated in the BVI on 29 October 1991, and which was a wholly-owned subsidiary of Qualipak Manufacturing prior to the implementation of the Reorganisation and the entire issued share capital of which was acquired by Mighty Gain as part of the Reorganisation, particulars of which are described in the section headed “History, development and corporate reorganisation — Our Reorganisation” in this prospectus. As a result of the Reorganisation, it was carved out from our Group and as at the Latest Practicable Date, it was no longer a member of our Group
“Mr. Cheung”	Mr. Cheung Chung Kiu, the chairman and an executive director of CC Land, and one of our Controlling Shareholders
“Ms. Chong”	Ms. Chong Yuet Wah Betty, the former spouse of Dr. Lam

DEFINITIONS

“Offer Price”	HK\$1.59 per Offer Share (excluding the Stock Exchange trading fee, transaction levy imposed by the SFC and brokerage fee payable thereon) at which the Offer Shares are to be offered for subscription pursuant to the Share Offer, particulars of which are described in the section headed “Structure and conditions of the Share Offer — Price payable on application” in this prospectus
“Offer Shares”	the Public Offer Shares and the Reserved Shares
“Onestep Enterprises”	Onestep Enterprises Limited, a company with limited liability incorporated in the BVI on 28 April 2005, and an indirect wholly-owned subsidiary of our Company
“Permate Production”	Permate Production Inc. (寶必達有限公司*), a company with limited liability incorporated in the BVI on 13 June 1991, and an indirect wholly-owned subsidiary of our Company
“PRC” or “China”	the People’s Republic of China which, for the purposes of this prospectus only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“PRC Processing Agreements”	collectively, the Zhongshan Processing Agreement and the Guanlan Processing Agreement
“PRC Processing Factories”	collectively, Zhongshan Processing Factory and Guanlan Processing Factory
“Preferential Offer”	the preferential offer to CC Land Qualifying Shareholders for subscription of up to 8,625,999 Reserved Shares (representing about 60% of the Offer Shares) at the Offer Price on and subject to the terms and conditions stated herein and in the BLUE Application Form, as further described in the section headed “Structure and conditions of the Share Offer” in this prospectus
“Public Offer”	the conditional offer of the Public Offer Shares by our Company for subscription by members of the public in Hong Kong for cash at the Offer Price (representing about 40% of the Offer Shares), payable in full on application, on and subject to the terms and conditions stated herein and in the related Application Forms
“Public Offer Shares”	the 5,750,000 new Shares initially offered for subscription under the Public Offer subject to re-allocation as described in the section headed “Structure and conditions of the Share Offer” in this prospectus

DEFINITIONS

“Qualipak Development”	Qualipak Development Limited, a company with limited liability incorporated in the BVI on 23 September 1997, and a wholly-owned subsidiary of our Company
“Qualipak Fortune”	Qualipak Fortune Inc. (確福達有限公司*), a company with limited liability incorporated in the BVI on 10 May 2000, and an indirect wholly-owned subsidiary of our Company
“Qualipak Manufacturing”	Qualipak Manufacturing Limited (確利達包裝實業有限公司), a company with limited liability incorporated in Hong Kong on 24 January 1989, and an indirect wholly-owned subsidiary of our Company
“Qualipak Manufacturing China”	Qualipak Manufacturing (China) Limited (確利達包裝(中國)有限公司*), a company with limited liability incorporated in the BVI on 11 April 1994, and an indirect wholly-owned subsidiary of our Company
“Qualipak Nominees”	Qualipak Nominees Limited, a company with limited liability incorporated in the BVI on 24 November 1999, and an indirect wholly-owned subsidiary of our Company
“Qualipak Production”	Qualipak Production Inc. (確必達有限公司*), a company with limited liability incorporated in the BVI on 3 June 1991, and an indirect wholly-owned subsidiary of our Company
“Qualipak Zhongshan”	確利達包裝(中山)有限公司 (Qualipak Packaging (Zhongshan) Company Limited*), a wholly foreign-owned enterprise with limited liability established in the PRC on 7 September 1998, and an indirect wholly-owned subsidiary of our Company
“Record Date”	22 June 2012, being the record date for ascertaining entitlements to the Distribution and the Assured Entitlements
“Regulation S”	Regulation S under the US Securities Act
“Regulator Holdings”	Regulator Holdings Limited, a company with limited liability incorporated in the BVI on 30 September 1999 which is an indirect wholly-owned subsidiary of Yugang, and one of our Controlling Shareholders
“Remaining CC Land Group”	CC Land and its subsidiaries after the Spin-off, which excludes our Group
“Reorganisation”	the corporate reorganisation of our Group in preparation for the Listing as described under the section headed “History, development and corporate reorganisation” in this prospectus
“Reserved Shares”	the Offer Shares available in the Preferential Offer subject to re-allocation as described in the section headed “Structure and conditions of the Share Offer” in this prospectus

DEFINITIONS

“Rule 144A”	Rule 144A under the US Securities Act
“SAFE”	中華人民共和國國家外匯管理局 (State Administration of Foreign Exchange of the PRC*)
“SAT”	中華人民共和國國家稅務總局 (State Administration of Taxation of the PRC*)
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Share(s)”	share(s) of HK\$0.10 each in the share capital of our Company
“Shareholder(s)”	holder(s) of Share(s)
“Share Offer”	the Public Offer and the Preferential Offer
“Share Option Scheme”	the share option scheme conditionally approved and adopted by our Company pursuant to a resolution of the Board passed on 18 May 2012 and the written resolution of the sole Shareholder of our Company passed on 18 May 2012, a summary of certain principal terms of which is set out in the section headed “E. Share Option Scheme” in Appendix V to this prospectus
“Spin-off”	the separate listing of our Shares on the Main Board, which is expected to be effected by way of the Distribution and the Share Offer
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Companies Ordinance
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“T Plus”	T Plus Limited (加品店有限公司), a company with limited liability incorporated in Hong Kong on 18 May 2007, and an associated company of our Company
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Repurchases issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Technical Development”	Technical Development (HK) Limited (得利高拓展有限公司), a company with limited liability incorporated in Hong Kong on 29 August 2001, and an associated company of our Company

DEFINITIONS

“Technical HK Manufacturing”	Technical (HK) Manufacturing Limited (得利高(香港)製品有限公司), a company with limited liability incorporated in Hong Kong on 10 March 1994, and an associated company of our Company
“Technical International”	Technical International Holdings Limited, a company with limited liability incorporated in the BVI on 11 April 2005, the entire issued share capital of which is held as to 30% by Onestep Enterprises and as to 70% by Technical Group Holdings Limited, respectively, and an associated company of our Company
“Theme Production”	Theme Production House Limited, a company with limited liability incorporated in Hong Kong on 10 September 2001, the entire issued share capital of which is held as to 51% by Big Focus, 25% by Chow Hoi Yin Riter and 24% by Yee Chan Chian, respectively, and an indirect non-wholly owned subsidiary of our Company
“Thrivetrade”	Thrivetrade Limited (興業有限公司), a company incorporated in the BVI on 17 March 2006 which is wholly-owned by Mr. Cheung, and one of our Controlling Shareholders
“Track Record Period”	the period comprising the three years ended 31 December 2011
“Underwriter”	the underwriter listed under the section headed “Underwriting — Underwriter” in this prospectus, being the underwriter of the Share Offer
“Underwriting Agreement”	the conditional underwriting agreement dated 27 June 2012 relating to the Share Offer and entered into among our Company, our executive Directors, CC Land, our Controlling Shareholders, the Sole Sponsor and the Underwriter, details of which are set out in the section headed “Underwriting” in this prospectus
“US” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US Securities Act”	the United States Securities Act of 1933, as amended, supplemented or otherwise modified from time to time
“Winning Hand”	Winning Hand Management Limited (確盈達實業有限公司*), a company with limited liability incorporated in the BVI on 12 March 1997, and an indirect wholly-owned subsidiary of our Company

DEFINITIONS

“Wisdom Way”	Wisdom Way Limited (永同威有限公司), a company with limited liability incorporated in Hong Kong on 1 December 1994, and an indirect wholly-owned subsidiary of our Company
“Worthwell”	Worthwell Investments Limited, a company with limited liability incorporated in the BVI on 22 August 2000, and which was a wholly-owned subsidiary of Qualipak Development prior to the implementation of the Reorganisation and the entire issued share capital of which was acquired by Mighty Gain as part of the Reorganisation, particulars of which are described in the section headed “History, development and corporate reorganisation — Our Reorganisation” in this prospectus. As a result of the Reorganisation, it was carved out from our Group and as at the Latest Practicable Date, it was no longer a member of our Group
“Yugang”	Yugang International Limited (渝港國際有限公司*), a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board (Stock Code: 613)
“Zhongshan Processing Agreement”	the processing agreement and the supplemental agreements thereto relating to the Zhongshan Processing Factory as referred to in the section headed “Business — Production — PRC Processing Agreements — (i) Zhongshan Processing Agreement” in this prospectus
“Zhongshan Processing Factory”	the processing factory named Zhongshan Sanjiao Town Qualipak Packaging Factory* (中山市三角鎮確福達包裝廠) established in the PRC on 2 March 2001, located at Sanjiao Town, Zhongshan, Guangdong Province, the PRC operated pursuant to the Zhongshan Processing Agreement
“HK\$” and “cents”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	United States dollars, the lawful currency of the US
“sq. m.”	square metre(s)
“%”	per cent

DEFINITIONS

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

<i>US\$1</i>	<i>HK\$7.8</i>
<i>RMB1</i>	<i>HK\$1.23</i>

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

In this prospectus, if there is any inconsistency between Chinese names of the entities or enterprises established in China and their English translations, the Chinese names shall prevail. English translation of company names in Chinese or another language which are marked with “” are for identification purpose only.*

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain terms used in this prospectus in connection with our Group and our business. These terminologies and their given meanings may not correspond to those standard meanings and usage adopted in the industry.

“CAGR”	compound annual growth rate
“OEM”	acronym for original equipment manufacturing under which products are manufactured, in whole or in part, in accordance with the designs and specifications of the customer and are marketed under the customer’s brand name
“REACH”	Regulation (EC) No 1907/2006 of the European Parliament and of the European Council concerning, among others, registration, evaluation, authorization and restriction of chemicals
“RoHS”	Directive 2002/95/EC of the European Parliament and of the European Council of 27 January 2003 on the restriction of the use of certain hazardous substances in electrical and electronic equipment, and the amendments thereto from time to time

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that state our Group's intention, belief, expectation or prediction for the future that are, by their nature, subject to significant risks and uncertainties.

These forward-looking statements include, without limitation, statements relating to:-

- the industry regulatory environment as well as the industry outlook in general;
- the amount and nature of, and potential for, future development of our Group's business;
- our Group's business objectives and strategies;
- our Group's capital expenditure plans;
- our Group's operations and business prospects; and
- our Group's future plans.

The words "believe", "intend", "anticipate", "estimate", "plan", "potential", "will", "would", "may", "should", "expect", "seek" and similar expressions, as they relate to our Group, are intended to identify a number of these forward-looking statements. All statements (other than statements of historical facts included in this prospectus), including statements regarding our Group's strategy, plans and objectives of management for future operations, are forward-looking statements. These forward-looking statements reflect our current view with respect to future events, but they are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions, including the risks factors as disclosed under the section headed "Risk factors" and elsewhere in this prospectus. One or more of these risks or uncertainties may materialise, or the underlying assumptions may prove to be incorrect. Although our Directors confirm that these forward-looking statements are made after due and careful consideration, we caution you not to place undue reliance on these forward-looking statements which reflect our management's view only as of the date of this prospectus.

Subject to the requirements of the Listing Rules or the applicable laws, 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. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect. All forward-looking statements contained in this prospectus are qualified by reference to this cautionary statement.

RISK FACTORS

Potential investors should consider carefully all the information set out in this prospectus and, in particular, should evaluate the following risks associated with an investment in our Company before making any investment decision regarding our Company. You should pay particular attention to the fact that our Company is incorporated in Bermuda and our Group has operations conducted outside Hong Kong and is governed by a legal and regulatory environment which in some respects may differ from that in Hong Kong. Any of the risks and uncertainties described below could have a material adverse effect on our business, results of operations, financial condition or on the trading price of the Shares, and could cause you to lose all or part of your investment.

RISKS RELATING TO OUR GROUP

The recent sovereign debt crisis in Europe and volatility in the global financial markets may affect our business

Our business depends substantially on the global economic and market conditions. Slowing economic growth or a recession could have a material adverse effect on our business, financial condition and results of operations as well as affecting our expansion strategies.

Certain recent adverse financial developments have impacted the global financial markets. These developments include a general slowing of economic growth in the US, Europe and globally and a drop in consumer expenditure in general, substantial volatility in equity securities markets, volatility and tightening of liquidity in credit markets. Economic downturn has also affected the purchasing power of our customers and their demands.

Europe is one of the major markets of our products. For each of the three years ended 31 December 2011, sales to customers in Europe accounted for about 49.4%, 44.2% and 37.0% of the revenue of our Group for the relevant years respectively.

Our Directors noted that the recent sovereign debt crisis in Europe could have an adverse impact on the financial stability of Europe in general and affect the consumer confidence in the region. This could lead to a drop in demand for our customers' products in Europe, and in turn, adversely affect the demand of our products from our customers who are located in Europe and thereby adversely affecting our results of operations and financial conditions. The recent adverse financial developments in Europe may also impact the global financial markets and affect global demand for our customers' products in other geographical regions, and hence affect the demand for our products in other major markets of our products.

It is difficult to estimate how long the adverse market conditions caused by the recent sovereign debt crisis in Europe and related events may exist. These developments could continue to present risks for an extended period of time for our Group, including a potential slowdown in our sales to our customers. There is no assurance that we will be able to maintain our sales to our customers, or successfully adjust our marketing strategy and diversify our customer base. If the adverse market conditions persist, our business, financial condition and results of operation may be adversely affected.

RISK FACTORS

Our Group's profitability in 2012 may decline and we may not be able to maintain our profit margins in the future

We achieved gross profit margin of about 19.3%, 19.3% and 20.5% for each of the three years ended 31 December 2011, respectively. For the same periods, our net profit was about HK\$19.1 million, HK\$31.4 million and HK\$41.5 million, respectively, representing net profit margin of about 6.5%, 8.0% and 9.9%, respectively. As our profitability is dependent upon, among other factors, market competition, global and local economic conditions and market demands for our products, our ability to obtain orders and the terms thereof, the cost of purchase of production materials, other costs of sale and our ability to maintain or improve our cost-efficiency, there is no assurance that we will be able to maintain or improve such gross profit margin or net profit margin as in the Track Record Period.

As disclosed in paragraph headed "Recent business development" of section headed "Financial information", our revenue decreased by about 22.2% for the four months ended 30 April 2012 as compared to the corresponding period in 2011. Our Directors consider that the decrease in revenue was mainly due to the drop in market demand for packaging products and display units for the four months ended 30 April 2012 caused mainly by, among others, the debt crisis in Europe, which affected the economic conditions and consumer confidence, and thereby demands in our products. Due to the decrease in the sale quantities of our major products, in particular, the significant decrease of the sales quantities of display units (the average selling price of which was higher than that of packaging cases and bags and pouches), our revenue decreased for the four months ended 30 April 2012 notwithstanding the increase in the average unit selling price of these products during the period. Our Directors consider that the decrease in gross profit, gross profit margin and net profit during the four months ended 30 April 2012 as compared with that in 2011 was mainly attributable to the decrease in our revenue during the period and the increase in processing fees per unit of our product to the PRC Processing Factories which in turn was primarily affected by the increase in labour costs of the PRC Processing Factories per unit of our product. If the market demand for packaging products and display units remains weak for the whole of 2012 or any rebound thereof is insufficient to offset our decrease in revenue and/or profit or increase in costs, our Group's financial results for the year ending 31 December 2012 and the first six months ending 30 June 2012 may decline as compared with that for the corresponding period in 2011.

We may face difficulties in maintaining our existing customer base and developing new customers

We are principally engaged in the OEM manufacturing and sourcing of packaging products for our customers. The success of our business depends on our ability to maintain and expand the volume of businesses with our existing customers and to source and to develop new customers or expand our product offerings. There is no assurance that we will be successful in continuing to maintain good business relationships with our existing customers or to develop new customers or expand our product offerings.

We have an established customer base. During the Track Record Period, owners or carriers of internationally renowned brands for watches, jewellery and eyewear products were among our customers, who placed emphasis on product quality and delivery. In order to meet our customers' stringent requirements on product quality, we maintain quality control procedures for production materials, components and sub-contracted out works, and devise and supervise the implementation

RISK FACTORS

of a three-step quality control system at the PRC Processing Factories with quality controls at the design and prototyping stage, the production stage and the delivery stage. In respect of the display units manufactured by our suppliers, quality control inspection of the end products at the premises of the suppliers is also arranged before shipment and acceptance of these products to ensure that such products comply with our customers' requirements. However, there is no assurance that we will be successful in continuing to maintain our product quality or to deliver our products to our customers in accordance with agreed delivery schedule.

If we are not able to expand the volume of businesses with our existing customers or to expand our customer base by adding new customers at desired levels or at all, or to develop and expand our product offerings, or to meet the requirements of our customers on product quality and delivery or any other requirements of our customers at reasonable or affordable costs, our relationship with our customers, our business, financial condition and results of operations could be materially and adversely affected.

We are dependent on our major customers

Our sales to our top five customers during the Track Record Period amounted to about HK\$119.0 million, HK\$190.9 million and HK\$174.0 million, which accounted for about 40.4%, 48.8% and 41.6%, respectively, of our total revenue for each of the three years ended 31 December 2011.

As of the Latest Practicable Date, we had on average over 13 years of business relationship with our top five customers for the year ended 31 December 2011. However, there is no assurance that our business relationship with any of our major customers will continue in the future. If any of these customers ceases to do business with us, or substantially reduces the volume of its business with us for whatever reason, and if we are unable to secure new customers with comparable sales volume and profit margins, our profitability and financial position may be materially and adversely affected.

We do not have long-term purchase commitments from our customers, which expose us to potential volatility in our revenue

We do not have long-term purchase commitments from our customers and our sales are made on order by order basis. Our customers may cancel or defer such orders. Our customers' orders may vary significantly from period to period, and it is difficult to forecast future order quantities. There is no assurance that any of our customers will continue to place orders with us in the future at the same volume, or at the same margin, as compared to prior periods, or at all. We may not be able to locate alternative customers to replace purchase orders or sales. There is also no assurance that the volume or margin of our customers' orders will be consistent with our expectations when we plan our expenditures. As a result, our results of operations may vary from period to period and may fluctuate significantly in the future.

Our business depends on our customers' ability to sell their products supplied by us

Our products include packaging cases, bags and pouches, display units and other products, some of which are supplied to owners or carriers of internationally renowned brands of watches, jewellery and eyewear products. Our Directors understand that our products are ultimately sold with or displayed for retail sales of watches, jewellery, eyewear products and other products in the retail market worldwide.

RISK FACTORS

The future growth and prospects of the packaging products industry will depend upon the global economic situation which affects the spending power of individuals on consumer goods and market conditions of the consumer markets for these products. Our results of operations are directly affected by the success of our customers in their business. Our customers may not be able to market and sell their products successfully or maintain their competitiveness due to lack of market acceptance or otherwise. In those circumstances, our customers may not order new products or decrease the quantity or purchase price of their orders. Our business, results of operations, financial conditions and profitability may be materially and adversely affected by changes in the demand of our packaging products due to changes in demand of our customers' products and/or expected increase in competition or any other reasons.

Substantial portion of our sales during the Track Record Period were attributable to customers who are not owners or carriers of brands

Some of our customers are not owners or carriers of brands but are traders of packaging products who, as our Directors believe, supply and resell our products to the relevant brand owners or carriers. During the Track Record Period, four of our top ten customers were not owners or carriers of brands and our sales attributable to them represented about 20.0%, 22.1% and 18.6% of our total revenue for each of the years ended 31 December 2009, 2010 and 2011, respectively.

We have no control over the relationship between these customers and the brand owners or carriers for which they source our products and are not involved in their relationship among themselves. In the event of any material change in the relationship between these customers and the brand owners or carriers, including any material change to the terms of engagement between these customers and these brand owners in relation to any or all brands of the brand owners or carriers for which we are indirectly engaged, or any termination of such engagement, or the cessation of their relationship, we may not be able to continue to supply products for such brands on the same or comparable terms or at all. In this event, our business, financial condition and results of operations could be materially and adversely affected. There is no assurance that we can secure direct business relationships with such brand owners or carriers at all or at reasonable terms, or develop new customers who are either brand owners or carriers, or their intermediary agents or traders with comparable sales volume and profit margin. If any of the above materialises, our profitability and financial position can be adversely affected.

We are exposed to credit risks of our customers

As at 31 December 2009, 2010 and 2011, our Group recorded trade and bills receivables balances of about HK\$38.2 million, HK\$52.8 million and HK\$45.9 million, respectively, accounted for about 13.0%, 13.5% and 11.0% of our Group's total revenue, respectively.

In general, our sales are made on credit basis and we require our customers to settle our invoices within 30 to 60 days after delivery. For the years ended 31 December 2009, 2010 and 2011, the average debtors' turnover days were about 56.4 days, 42.5 days and 43.0 days, respectively. There may be a risk of delay in payment by our Group's customers from their respective credit period, which in turn may result in an impairment loss provision. There is no assurance that we will be able to fully recover our trade and bills receivables from the customers or that they will settle our trade and bills receivable in a timely manner. In the event the settlements from the customers are not made in full or not in a timely manner, the financial position, profitability and cash flow of our Group may be adversely affected.

RISK FACTORS

We rely on processing agreements and our processing agents in the PRC

During the Track Record Period and up to the Latest Practicable Date, all of the manufacturing operations of our Group were undertaken through Zhongshan Processing Factory and Guanlan Processing Factory pursuant to the Zhongshan Processing Agreement and the Guanlan Processing Agreement, respectively.

The manufacturing operations for our Group's products are therefore particularly vulnerable to any disruption or cessation of operation of any of these facilities for whatsoever reason, whether caused by power or water shortage, labour strikes, riots, fire or any other events that may or may not be beyond our control. We do not have insurance coverage on losses arising from business or operation interruptions of these PRC Processing Factories. There is also no assurance that we will be able to find alternative processing agents or subcontractors to undertake our manufacturing operations, or that we will be able to undertake such operations on our own, at affordable or reasonable costs and on a timely basis. Any such disruption of operation of these facilities could materially and adversely affect our production of the relevant products.

Under the PRC Processing Agreements, the Zhongshan Processing Factory or, as the case may be, 深圳市觀瀾經濟發展有限公司 (Shenzhen Guanlan Economic Development Limited*) are responsible for providing, among other things, labour and electricity facilities for the production of our Group's products at the PRC Processing Factories. Under each of the PRC Processing Agreements, no pre-determined calculation of compensation is stated. However, it is stated in each of these agreements that any disputes between the parties which cannot be resolved by mutual agreements shall be referred to the arbitration commission specified in the agreement for resolution, whose decision shall be final and binding on the parties. However, there is no assurance that our Group's manufacturing operations through the processing agents in the PRC would not be interrupted materially in the event of dispute between our Group and the processing agents.

The Zhongshan Processing Agreement and Guanlan Processing Agreement will expire in March 2015 and June 2015, respectively, subject to further renewal. However, there is no assurance that these PRC Processing Agreements will be renewed upon expiry, or if renewed, will be renewed for any particular period of time.

The operations and profitability of our Group may be materially and adversely affected if our Group is unable to renew any of these PRC Processing Agreements upon its expiry and find other reliable processing agents or subcontractors to undertake our Group's manufacturing operations, or otherwise to take up such manufacturing operations on our own at affordable or reasonable costs and on a timely basis.

Non-compliance by the PRC Processing Factories of the applicable PRC laws and regulations may also affect the operation of these facilities. As advised by our PRC legal advisers, Zhongshan Processing Factory is an enterprise with legal entity status (企業法人) under the PRC law and the legal liabilities of Zhongshan Processing Factory arising from its operations shall be borne by itself and our Group is not liable for any liabilities or claims relating to any breaches or non-compliances by Zhongshan Processing Factory with the applicable PRC laws, regulations or the relevant local policies. However, if the Zhongshan Processing Factory is found to be in material breach of such PRC laws, regulations and/or the relevant local policies and is imposed of any penalty or fines, or otherwise results in the suspension or cessation of operations, such non-compliances may prevent or restrict Zhongshan Processing Factory from performing its responsibilities under the Zhongshan

RISK FACTORS

Processing Agreement. In such circumstances, the business and operations of our Group may be adversely affected. In relation to Guanlan Processing Factory, as advised by our PRC legal advisers, it is not a legal entity (企業法人) under the PRC law and is incapable of assuming any civil liability on its own. As advised by our PRC legal advisers, in respect of a contract processing factory which does not have a legal entity status, it is the judicial practice of the PRC that the foreign party to the contract processing agreement will be deemed to be jointly liable for the civil liabilities owing by the contract processing factory to any third party; the contract processing factory shall be primarily liable for such civil liabilities, and the foreign party thereunder will be jointly liable if and to the extent that such liabilities cannot be met by the assets of the contract processing factory. As advised by our PRC legal advisers, based on the terms of the Guanlan Processing Agreement and the aforesaid judicial practice of the PRC, it is the contractual obligation of our Group to be jointly liable with the Guanlan Processing Factory in respect of the liabilities of Guanlan Processing Factory owing to any third party arising from or in connection with the performance of its duties under the Guanlan Processing Agreement, and our Group shall assume such liabilities if and to the extent that they cannot be met by Guanlan Processing Factory out of its own assets. As such, our Group may be liable for any liabilities or claims relating to any breaches or non-compliances with the applicable PRC laws and regulations by Guanlan Processing Factory.

As advised by our PRC legal advisers, as at the Latest Practicable Date, the PRC Processing Factories had obtained all necessary licences, certificates, approvals and permits for the production of our existing products under the PRC Processing Agreements. There was no requirement for a particular licence, certificate, approval or permit for the production of packaging products and display units in the PRC. The abovementioned licences, certificates, approvals and permits that were obtained include the government licences, approvals and permits that the PRC Processing Factories have obtained from the relevant government authorities for the establishment of a corporate entity in the PRC for the packaging manufacturing business and other licences and permits, including tax registration, that are generally required for corporate entities to operate their businesses in the PRC.

There is no assurance that the PRC Processing Factories will be able to renew such licences, certificates, approvals and permits upon their expiration. The eligibility criteria for such licences, certificates, approvals and permits may change from time to time and may become more stringent. In addition, new requirements for licences, certificates, approvals and permits may come into effect in the future. The introduction of any new and/or more stringent laws, regulations, licences, certificates, approvals or permits requirements relevant to our business and the packaging manufacturing industry may significantly escalate our compliance and maintenance costs or may limit our Group to continue with our existing operations or may limit or prohibit us from expanding our business. Any such event may have an adverse effect to our business, financial results and future prospects.

We rely on our major suppliers

During the Track Record Period, we procured a significant portion of the display units sold by us from third party manufacturers, which were also our largest supplier for each of the years ended 31 December 2009, 2010 and 2011, respectively. For each of the years ended 31 December 2009, 2010 and 2011, purchases from the five largest suppliers of our Group amounted to about HK\$73.7 million, HK\$108.7 million and HK\$105.1 million and accounted for about 54.2%, 52.8% and 48.7% of our Group's total purchases respectively, and purchases from our largest supplier amounted to about HK\$43.1 million, HK\$76.0 million and HK\$72.0 million and accounted for about 31.7%, 36.9% and 33.4% of our Group's purchases, respectively.

RISK FACTORS

There is no assurance that any of our major suppliers will continue to supply display units, production materials or component parts to us at our desired quality or at all and in a timely manner or on commercially acceptable terms. If any of our major suppliers fails to meet our purchase orders on a timely basis or fails to offer us commercially acceptable terms or fails to supply us with display units, production materials or component parts of the quality that we require or terminates its business relationship with us, we may be unable to source display units, production materials or component parts from comparable alternative suppliers on a timely basis and on commercially acceptable terms or at all, and our business, financial condition and results of operations may be materially and adversely affected.

We may be involved in intellectual property right and trade secret disputes and we may not be able to adequately protect our intellectual property rights

We utilise product design and other intellectual property rights of our customers and other information which is or may be deemed to be confidential by our customers for production purposes. During the Track Record Period and up to the Latest Practicable Date, no member of our Group was engaged in any litigation or arbitration for breach of confidentiality and no litigation, arbitration or claim was known to our Directors to be pending or threatened by our customers or against any member of our Group in relation to any alleged breach of confidentiality. While we endeavour to avoid non-consensual disclosure of our customers' confidential information and have adopted and implemented stringent measures in protecting the intellectual property rights and confidential information of our customers, particulars of which are set out in the section headed "Business — Design and development" in this prospectus, there is no assurance that the measures taken by us are sufficient and appropriate and at affordable or reasonable costs or at all.

In the event of any breach of confidentiality claim from our customers, whether with merits or not, we may be required to divert substantial costs and resources including our management's time to defend our positions, and our relationship with our customers, our business, financial condition and results of operations could be materially and adversely affected.

Our designs might be infringed upon by other parties. We may lack adequate protection in guarding our intellectual property rights and trade secrets. Any significant infringement of our trade secrets used in our business could weaken our competitive position and have an adverse effect on our operations. In addition, we may need to defend our intellectual property rights including our trade secrets in legal proceedings. If we do not succeed in these proceedings, we could lose our proprietary rights over our intellectual property rights and we may be required to pay expensive legal costs. Also, defending legal claims may be costly and would divert the efforts of our management and technical personnel.

Our manufacturing machinery and technical know-how may become out-of-date

Our customers' requirements, product specifications, market trends and statutory requirements are subject to changes, and we may incur significant costs in adapting to such new requirements or specifications. Our competitors may develop manufacturing techniques which are superior to ours in terms of costs, time and product quality, which would render our production techniques out-of-date and our business non-competitive. Equipment manufacturers may also develop new production machinery which would render our existing machinery out-of-date. If any of these factors materialises, our business, results of operations and profitability could be materially and adversely affected.

RISK FACTORS

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

We maintain insurance for our offices, manufacturing facilities and inventories in the PRC and, as the case may be, Hong Kong against property losses and/or third party liabilities, and marine and inland cargo insurance against losses of cargo shipments in connection with our shipment of products to our customers and/or shipment of production materials. We have employee's compensation insurance and medical insurance coverage for our staff and directors' and officers' liability insurance coverage for our directors. However, we do not maintain any product liability insurance against product liabilities of our products since our Group is only engaged on an OEM basis to manufacture and source packaging products for our customers who are mainly owners or carriers of internationally renowned brands for watches, jewellery and eyewear products and other customers such as traders of packaging products but not the consuming public. Further, as confirmed by our PRC legal advisers, there is no mandatory requirement under the PRC law for the Group to maintain any product liability insurance for our products manufactured under the PRC Processing Agreements. We believe that our insurance coverage is in line with industry practice. There can be no assurance that our Group will not be the subject of any such product liability claims in the future. Our business, financial position and results of operations may be adversely affected as a result of any successful product liability claim against us. We do not have insurance coverage on losses arising from business or operation interruptions of the PRC Processing Factories. There is also no assurance 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, or adequately covered, by our insurance policies.

We are subject to foreign exchange exposure and currency conversion risks

Our Group's foreign exchange risk arises mainly from the mismatch between the currency of our sales, purchases and operating expenses. During the Track Record Period, a significant portion of our costs, which was arising from the payment of operating overheads, was affected by the exchange rate of RMB, and our sales were mainly denominated in US\$ and HK\$. Our Directors note that RMB has been appreciating against US\$ and HK\$ in recent years. Any further appreciation of RMB would increase the cost of sales of our Group for our manufacturing operations in the PRC undertaken through processing arrangements. Further expansion of our business may also lead to our increased exposure to the exchange risk caused by the appreciation of RMB, and may have adverse effect on our financial conditions and profitability.

Reliance on key management personnel may impose risks on our Group

Our Group's performance and success is, to a significant extent, attributable to the expertise and experience of our key management personnel. Dr. Lam, one of the founders of our Group, our chairman of the Board and non-executive Director, has over 20 years of experience in the packaging business, and is responsible for overseeing the strategic development and the overall business development of our Group. Ms. Poon Ho Yee Agnes, our executive Director who is responsible for the sales and marketing management and manufacturing operations of our Group, has over 20 years of experience in sales and marketing within the manufacturing industry. Mr. Leung Chun Cheong, our executive Director who is generally responsible for overseeing the financial control of our Group, has over 35 years of experience in professional accounting and finance.

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The future success of our Group will depend on the continued involvement, efforts, performance and abilities of our management team as a whole. Competition for management and key personnel, in particular, skilful and experienced practitioners in the business of manufacturing and sale of packaging products, is intense and the pool of appropriate candidates is limited. There is no assurance that our Group can maintain, develop and continually tap on the experience and skills of our key personnel, and we may lose our key personnel to competitors.

If our Group fails to retain our key personnel or attract or engage a suitable replacement or recruit suitable new appointees on a timely basis, it may result in the loss of strategic leadership, disruption or delay to business operation or expansion, which may materially and adversely affect the business strategies, operations and financial condition of our Group.

Potential impact of power and water supply shortage in the PRC

Our manufacturing process is dependent on the continued operations of the PRC Processing Factories. Any disruption in the supply of utilities such as electricity and water supply could disrupt or even result in the halt of the production process at the PRC Processing Factories and thereby adversely affect our production schedule and manufacturing yield. As our business continues to grow, the demand for adequate and stable supply of electricity and water at the PRC Processing Factories and the production facilities of other subcontractors engaged by us from time to time will also increase. In the event that electricity or water supplies do not improve correspondingly, the current supply of electricity and water may not be sufficient to support our Group's growth. Typhoons, floods or other calamities may also result in a power or water supply outage. The production at the PRC Processing Factories may be limited or delayed if there is any suspension or shortage of electricity or water supply at these PRC Processing Factories or other production facilities, which may in turn affect our Group's production schedule and have an adverse impact on our Group's profitability. The power generators installed at the PRC Processing Factories can only provide limited supply of electricity and any prolonged shortage of electricity will cause disruption to the production at the PRC Processing Factories and hence our Group's operations.

Higher production materials costs and procurement costs would reduce our margins and profitability

The production materials used by us include resin, paper, metal, imitation leather, fabric and other materials. The costs of production materials and procurement represented the largest cost element of our Group's costs of sales, representing about 59.8%, 60.2% and 62.2% of our total costs of sales for each of the years ended 31 December 2009, 2010 and 2011 respectively. There has been a significant increase in the prices of metal and resin, being two of the major production materials used by our Group during the Track Record Period, with a year-to-year increase of the average purchase price per unit of metal used in 2010 and 2011 of about 24.4% and 15.2%, respectively, and that for resin used in 2010 and 2011 of about 29.7% and 12.5%, respectively. While we place orders with third party suppliers for sourcing of some of our display units after we have obtained quotations from these suppliers and received back-to-back orders from our customers, and therefore any risk of production cost increase can be effectively shifted to these suppliers, any cost increase in respect of products manufactured by us through the PRC Processing Factories will result in the corresponding increase in the processing fees payable by us to the PRC Processing Factories. However, we do not have long-term supply contracts with our suppliers.

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We price our products on a cost plus basis. From our Directors' experience, there is a time lag of generally two to three months between the time our customers' purchase orders are confirmed and the time we deliver the finished products. In addition, as we source some of our display units from third party suppliers and sell to our customers, any increase in our costs of procurement of such products also lead to increase in our operating costs. In general, in respect of products manufactured by us through the PRC Processing Factories, we may negotiate with our customers for increase in product price in the event of a significant increase in our costs such as production material costs. Nonetheless, there is no assurance that we can successfully pass on all or part of such cost increase to our customers. If we are unable to pass on any increase in the cost of production materials to our customers or otherwise reduce our production costs or procurement costs, our result of operations may be adversely affected.

Labour shortage could disrupt our production or expansion plans

Our manufacturing operation undertaken through the PRC Processing Factories is labour intensive. As at 31 December 2011, over 1,600 personnel were employed in the PRC Processing Factories for the production of our products under the PRC Processing Agreements. While we rely on the PRC Processing Factories in providing the workforce for manufacturing our products, there is no assurance that the PRC Processing Factories will be successful in retaining and recruiting suitably qualified workers in sufficient numbers and in time to support our existing and future operations at reasonable costs or at all, and any prolonged shortage of labour could materially and adversely affect our operations, relationship with customers, our market reputation and financial results.

Rising labour costs may affect our profitability

While under the PRC Processing Agreements, the Zhongshan Processing Factory or, as the case may be, 深圳市觀瀾經濟發展有限公司 (Shenzhen Guanlan Economic Development Limited*) are responsible for providing workforce for manufacture of our products at the PRC Processing Factories, any increase in their costs of labour will directly or indirectly affect the processing fees payable by us to these PRC processing agents. Our management takes note of the general trend of rising costs of labour in the PRC, which may increase our production costs and thereby reduce our profit margins and induce upward pressure on the selling price of our products, hence affecting our competitiveness. Our sales, relationship with customers and financial results may be adversely affected.

Labour disputes could significantly disrupt our manufacturing operations at the PRC Processing Factories

Our manufacturing operations at the PRC Processing Factories require a large skilled workforce. While we are not aware of any significant problems of the PRC Processing Factories with their production personnel or disruption to their operation due to labour disputes, nor are we aware of any material difficulties experienced by the PRC Processing Factories in the recruitment and retention of experienced staff during the Track Record Period and up to the Latest Practicable Date, there is no assurance that significant labour disputes at these PRC Processing Factories will not arise in the future. Any such labour dispute could interrupt the operations at the PRC Processing Factories and hence our production schedule, harm our reputation and divert our management's attention and resources, which could have a material and adverse effect on our business operations and our financial condition. In addition, the PRC Processing Factories may be liable for fines assessed by

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relevant government authorities or incur settlement costs in order to resolve labour disputes. For the reasons as referred to under the paragraph “We rely on processing agreements and our processing agents in the PRC” above, we may be held jointly liable with, and/or may incur additional costs in paying any such fines or settling such labour disputes of, these PRC Processing Factories, which may in turn materially and adversely affect our profitability, financial condition and results of operations. The PRC Processing Factories may also be subject to higher labour costs in the future when recruiting new employees due to the reputational damage caused by these labour disputes, and such increase in costs may be translated into increase in processing fees payable by our Group under the PRC Processing Agreements and hence adversely affect our profitability.

The PRC Processing Factories were involved in past non-compliance with certain PRC laws and regulations

The PRC Processing Factories are required under the relevant PRC laws and regulations to contribute to employee social welfare schemes, such as pension insurance, medical insurance, unemployment insurance, maternity insurance, work-related injury insurance (together, “social insurance”) and housing provident fund, for the benefit of their own employees. Zhongshan Processing Factory and Guanlan Processing Factory were, prior to 1 December 2011, unable to make full social insurance and housing provident fund contributions for all of their respective employees as required under the relevant PRC laws and regulations due to some of the employees’ unwillingness to participate in such social welfare schemes.

For each of the three years ended 31 December 2011, the estimated aggregate underpaid amounts of social insurance contributions payable by Zhongshan Processing Factory were about RMB3.1 million, RMB3.6 million and RMB1.8 million, respectively, while that of Guanlan Processing Factory were about RMB0.6 million, RMB1.0 million and RMB1.0 million, respectively. For each of the three years ended 31 December 2011, the estimated aggregate underpaid amounts of housing provident fund contributions payable by Zhongshan Processing Factory were about RMB1.9 million, RMB1.6 million and RMB1.4 million, respectively, while that of Guanlan Processing Factory were nil, nil and about RMB0.5 million, respectively.

Each of the Zhongshan Processing Factory and Guanlan Processing Factory had obtained written confirmations from the respective local social insurance authorities (in January 2012 and further in June 2012) and housing provident fund authorities (in January and February 2012 respectively, and further in June 2012) (being the competent authorities as advised by our PRC legal advisers), which confirmed that the relevant local authorities would not require the PRC Processing Factories to make up for any past underpaid contributions to employee social insurance or housing provident fund schemes or penalise the PRC Processing Factories for the past non-compliances committed prior to 1 December 2011.

According to our PRC legal advisers, notwithstanding the written confirmations obtained by the PRC Processing Factories, there is still remote possibility that the PRC Processing Factories may be required to make retrospective payment for all outstanding social insurance contributions within a prescribed period. For non-compliance before 1 July 2011, the PRC Processing Factories will not be subject to any overdue penalty if the underpaid contributions are made within the prescribed period pursuant to the order (if any) received from the competent authorities to make payment of the underpaid contributions. If the PRC Processing Factories fail to pay the underpaid contributions within the prescribed period pursuant to the relevant order, the PRC Processing Factories will be subject to an overdue penalty of 0.2% of the underpaid amounts per day as from the due date on which the social insurance contribution should have been made. For non-compliance on or after

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1 July 2011, the PRC Processing Factories will be liable to an overdue penalty of 0.05% of the underpaid amounts per day as from the due date on which the social insurance contribution should have been made if the underpaid contributions are made within the prescribed period pursuant to the order received from the competent authorities. If the underpaid contributions are not made within the prescribed period, the PRC Processing Factories will be further penalised with a fine of an amount between 100% and 300% of the underpaid amounts. Based on the above, and considering that the PRC Processing Factories have undertaken to our Group that the underpaid contributions will be made within the prescribed period after receiving the order to pay from competent authorities, the Directors consider that the maximum amount of penalty (calculated on a daily basis) payable by the PRC Processing Factories up to the Latest Practicable Date (assuming that the PRC Processing Factories pay the underpaid contribution on that date) for past underpayment of social insurance contributions during the period from 1 July 2011 to 30 November 2011, amounted to about RMB163,000. As advised by our PRC legal advisers, the overdue penalty of 0.05% is subject to an upper limit which shall be the amount of the past underpayment of social insurance contribution arising from the non-compliance on or after 1 July 2011. As for the past under-contribution to housing provident funds, the PRC Processing Factories may be ordered by the relevant housing provident fund authorities to pay the outstanding housing provident fund contributions, but they will not be subject to any overdue penalty or fine.

As at the Latest Practicable Date, to the best knowledge of our Directors, we were not aware of any proceedings, claims or disputes brought by employees of the PRC Processing Factories regarding social insurance or housing provident fund contributions against the PRC Processing Factories. However, there is no assurance that such proceedings, claims or disputes will not be brought against the PRC Processing Factories in the future, and that the PRC Processing Factories will not be required to make retrospective contributions or any related fines or penalties in the future.

As advised by our PRC legal advisers, before sub-contracting any production process, Zhongshan Processing Factory is required to seek approval from the local PRC customs authority. During the Track Record Period, Zhongshan Processing Factory had failed to seek approval from the local PRC customs authority in respect of certain sub-contracting arrangements. Zhongshan Processing Factory had obtained written confirmation from the local customs authority (being the competent authority as advised by our PRC legal advisers) that Zhongshan Processing Factory was fined RMB83,000 in respect of its failure to seek the approval for certain sub-contracting arrangements, and such fine had been fully settled before the Latest Practicable Date.

For the reasons as referred to under the paragraph “We rely on processing agreements and our processing agents in the PRC” above, any breach or non-compliance by these PRC Processing Factories may materially and adversely affect our business, operations, profitability, financial condition and results of operations.

The PRC Processing Factories are subject to production safety standards and labour laws of the PRC

The PRC Processing Factories are subject to a number of production safety and labour rules and regulations of the PRC, including, among others, the Production Safety Law of the PRC (中華人民共和國安全生產法), the PRC Labour Law of the PRC (中華人民共和國勞動法) and the PRC Labour Contract Law of the PRC (中華人民共和國勞動合同法). Further details of the applicable PRC laws and regulations are set out in the section headed “Regulatory overview” of this prospectus.

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As advised by our PRC legal advisers, based on the written confirmations issued by the competent local authorities and confirmed by the PRC Processing Factories, the PRC Processing Factories have not been in any material breach of production safety and labour laws during the Track Record Period and up to the Latest Practicable Date.

However, in the event that the PRC Processing Factories are found to be in material breach of such PRC production safety standards or labour laws, such penalty or compensation may prevent them from performing their responsibilities under the PRC Processing Agreements and the business and operations of our Group may be adversely affected. For the reasons as referred to under the paragraph “We rely on processing agreements and our processing agents in the PRC” above, any non-compliance by these PRC Processing Factories may materially and adversely affect our business, operations, profitability, financial condition and results of operations.

The PRC government may strengthen production safety and labour regulations in the future, and the PRC Processing Factories or our Group may be required to dedicate substantial financial, management and other resources to comply with these regulations.

Our manufacturing operations undertaken through the PRC Processing Factories are subject to various customer-imposed safety, health and labour guidelines which may increase our costs or restrict our operations

Our manufacturing operations undertaken through the PRC Processing Factories are subject to a variety of guidelines imposed by customers relating to safety, health and labour conditions. The failure by us, the PRC Processing Factories, and/or other third-party manufacturers to whom we outsource manufacturing to comply, or the allegation of such non-compliance, with any present or future customer guidelines could result in loss of customer contracts or a cessation of operations and damage to our reputation. Our customers may also require us to take such remedial actions to satisfy these guidelines and, if such compliance is a term of the relevant manufacturing contract, our failure to satisfy these guidelines may constitute a breach thereof and our Group may be required to indemnify the relevant customer against any claims, demands, damages and costs arising out of or in connection with such breach. New customer guidelines could also require us, the PRC Processing Factories, and/or third-party manufacturers to whom we outsource manufacturing to acquire costly equipment or to incur significant expenses. There is no assurance that we can pass the increased costs to our customers by raising our product price, if at all.

The PRC Processing Factories are subject to environmental protection laws and regulations of the PRC

The operations at the PRC Processing Factories may generate pollutants and waste in various stages of the manufacturing process. The discharge, storage and disposal of such pollutants and waste are subject to environmental protection laws and regulations in the PRC, including laws and regulations requiring clean-up of contamination and reclamation. As advised by our PRC legal advisers, based on the written confirmations issued by the competent local environmental protection authorities and confirmed by the PRC Processing Factories, the PRC Processing Factories had not been in any material breach of environmental protection laws and regulations during the Track Record Period and up to the Latest Practicable Date. However, there is no assurance that the PRC Processing Factories will at all times be in compliance with all of the environmental protection laws and regulations applicable to their respective operations. Any failure, or any claim that the PRC Processing Factories have failed to comply with or breached environmental protection laws and

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regulations could cause the PRC Processing Factories to be liable for civil or administrative liabilities or any other claims relating to environmental protection issues under the applicable laws and regulations regarding environmental protection. For the reasons as referred to under the paragraph “We rely processing agreements and our processing agents in the PRC” above, any breach or non-compliance by, these PRC Processing Factories, which may in turn materially and adversely affect our business, operations, profitability, financial condition and results of operations.

Environmental protection laws and legislations in the PRC may become more stringent in the future, and stricter interpretations of existing laws may occur or enforcement may become more stringent in the PRC. Any changes in the regulatory framework to which the PRC Processing Factories are subject may result in an increase in the actual operating costs and liabilities for which the PRC Processing Factories have not provided. In this event, our Group may be required to dedicate substantial financial, management and other resources to assist the PRC Processing Factories to comply with these laws and regulations, and our business operation and financial position may be materially and adversely affected.

Anti-dumping measures may have an impact on our business operations

Anti-dumping measures in the US and Europe may have an impact on our business operations because these are two of the major markets of our products. Please refer to the section headed “Regulatory Overview” in this prospectus for further information on anti-dumping measures in the US and European Union (the “EU”).

As we sell our products to our customers primarily on free-on-board (at Hong Kong ports) terms, our customers are responsible for the customs entries of our products to overseas countries (including the US and EU) and for ensuring that our products meet the relevant overseas laws and regulations (including import duties and anti-dumping regulations). To the best of our Directors’ knowledge and belief, as at the Latest Practicable Date, they were not aware of any anti-dumping duties or measures being imposed on our products imported to the US or EU, nor were they aware of any of our products being subject to any anti-dumping investigations during the Track Record Period. However, there is no assurance that sales of our products to the US or EU will not be subject to any anti-dumping investigations by the relevant government authorities or that any anti-dumping duties or measures will not be imposed on the sales of our products to the US or EU. If any of our products are subject to any anti-dumping allegation or investigation in the US or EU, sales of our products to the relevant countries may be adversely affected if such sales are found to be a dumping and anti-dumping duties and/or measures are thereby imposed. Imposition of anti-dumping duties or measures on the importation of our products could adversely affect the sales of our products to such countries, and our business, financial condition and results of operation may thereby be adversely affected.

Our historical dividend may not be indicative of our future dividends

During each of the years ended 31 December 2009, 2010 and 2011 and the period commencing from 1 January 2012 up to the Latest Practicable Date, one of our subsidiaries declared dividends of about HK\$8.0 million, HK\$8.0 million, HK\$7.0 million and HK\$3.0 million, respectively to its then shareholders. We cannot assure you that we will pay dividends in the future, and potential investors should be aware that the amount of dividends that were paid in the past should not be used as a reference or basis upon which future dividends will be determined. Whether dividends will be distributed and the amount to be distributed will depend on factors such as our profitability,

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financial condition, business development requirements, future prospects and cash requirements. Any declaration and payment, as well as the amount of dividends, will be subject to our constitutional documents and Bermuda laws, including the approval of our Shareholders or our Directors. There is no assurance that we will make any dividend payments on our ordinary Shares in the future.

We incurred net current liabilities as at 31 December 2009 and 2010

As at 31 December 2009 and 2010, our Group had net current liabilities of about HK\$49.9 million and HK\$17.4 million, respectively, which were mainly attributable to the amount due to CC Land of about HK\$121.5 million and HK\$100.8 million as at 31 December 2009 and 2010, respectively whereby these balances mainly arose from dividends declared by Qualipak Development to CC Land in 2007. Our Group had achieved a net current assets position as at 31 December 2011 with net current assets of about HK\$28.3 million as a result of income stream generated from our business. Please refer to the section headed “Financial information” of this prospectus for details.

There is no assurance that we can maintain our net current assets position going forward. In the event that we incur net current liabilities, we may be exposed to liquidity risk. Our future liquidity, the payment of trade and other payables and the repayment of our outstanding debt obligations as and when they fall due depend on our ability to maintain adequate cash inflows from operating activities and adequate external financing. There can be no assurance that we will always be able to raise the necessary funding to finance our operations. If we fail to do so, our business operations, financial positions and prospects may be materially and adversely affected.

A significant portion of our income previously deemed non-taxable for Hong Kong profits tax may become taxable if there are changes to the relevant Hong Kong tax law and its interpretations or the mode of our PRC manufacturing operations

During the Track Record Period, our Group had engaged the PRC Processing Factories under the PRC Processing Agreements for the manufacturing of our products. Pursuant to the DIPN 21 issued by the IRD, the IRD is prepared to concede that, in cases where a Hong Kong manufacturing business enters into a processing arrangement with a PRC entity where the production processes are carried out at the processing factory situated in the PRC, profits of the Hong Kong manufacturing business that are derived from the sale of goods manufactured by such PRC entity may be entitled to the 50:50 offshore claim so that 50% of such profit is apportioned and treated as derived outside Hong Kong and the chargeable profits so apportioned can be treated as non-taxable in Hong Kong. In light of the above, our Directors consider that it is reasonable for our Group to adopt DIPN 21 for assessment on our taxable profits originated from the sale of packaging products manufactured by the PRC Processing Factories through the PRC Processing Agreements and to claim for apportionment of the relevant non-taxable profits during the Track Record Period.

During each of the years ended 31 December 2009, 2010 and 2011, Hong Kong profits tax charged on our Group amounted to about HK\$2.8 million, HK\$4.1 million and HK\$5.0 million, respectively. The effective tax rates of our Group’s Hong Kong operations during the Track Record Period were about 12.5%, 11.5% and 10.6%, respectively.

In the event that the IRD considers that our Group’s mode of manufacturing operations under the PRC Processing Agreements is not within the scope of profits eligible for apportionment under DIPN 21, or there are any changes to Hong Kong tax laws or its interpretation, whether with or without retrospective effective, the IRD might treat our Group’s profits generated from the sale of

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goods processed by the PRC Processing Factories under the PRC Processing Agreements as profits derived from Hong Kong, and therefore taxable for Hong Kong profits tax. In this event, and if our Group is unable to prove otherwise, 50% of the adjusted assessable profits of our Group which has previously been treated as non-taxable for Hong Kong profits tax would become taxable and our Group's profitability may be materially and adversely affected. In this connection, it is estimated that the additional tax payable by our Group for each of the years ended 31 December 2009, 2010 and 2011 would be about HK\$1.6 million, HK\$2.3 million and HK\$3.3 million, respectively.

Our Group may be deemed liable for PRC enterprise income tax

During the Track Record Period, our Group had engaged the PRC Processing Factories under the PRC Processing Agreements for the manufacture of our products. Qualipak Manufacturing, our wholly-owned subsidiary in Hong Kong, is the contracting party to the PRC Processing Agreements and is our principal operating subsidiary. Pursuant to the terms of the PRC Processing Agreements, production of our products is conducted by the PRC Processing Factories in the PRC where the Zhongshan Processing Factory or, as the case may be, 深圳市觀瀾經濟發展有限公司 (Shenzhen Guanlan Economic Development Limited*) are responsible for, amongst others, providing the labour, while Qualipak Manufacturing is responsible for providing, amongst others, the relevant production machinery and equipment and production materials. As advised by our PRC legal advisers, our Group's operations in the PRC through the PRC Processing Agreements were not subject to PRC enterprise income tax during the Track Record Period.

In the event that Qualipak Manufacturing or any other members of our Group with substantive business operations are considered to be permanent PRC resident entities as a result of the arrangement under the PRC Processing Agreements or any other business arrangements of our Group, or there are any changes in PRC tax laws or its interpretation or any other PRC laws, rules or regulations which would result in any of our subsidiaries deemed to be PRC resident entities subject to PRC enterprise income tax, the PRC State Administration of Taxation or local tax authorities may treat the profits of our relevant Group entities which are generated from the sale of goods processed under the PRC Processing Agreements at the PRC Processing Factories as profits derived from their status as permanent PRC resident entities, and our relevant Group entities may therefore be subject to PRC enterprise income tax. In this connection, our Group may be liable for additional taxation in the PRC which may have a material adverse impact on our Group's profitability and cash flow.

In the unlikely event that our Group is required to pay the PRC enterprise income tax, our Group's theoretical PRC enterprise income tax exposure is estimated to be not more than about HK\$20.7 million in aggregate by applying 25% on the profit before tax of Qualipak Manufacturing for the three years ended 31 December 2011, subject to tax credit under the relevant tax treaties between Hong Kong and the PRC, as if so happened under this hypothetical circumstance.

Our business strategies may not be successful

We plan to continue to optimise our quality control system and perform stringent quality control measures, expand our customer base, strengthen and expand our product range and model portfolio and maintain our profitability through stringent cost-control policy. Any failure to successfully implement any of these strategies may materially and adversely affect our profitability, competitiveness and prospects.

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RISKS RELATING TO THE INDUSTRY

We operate in a highly competitive industry

We face keen competition in our business of manufacturing packaging products on an OEM basis and sourcing display units for our clients based on their design and specifications. We believe that the packaging products manufacturing business is labour intensive and Asia is the key region of production for these products due to its relatively low labour costs and skillful workforce. According to the Ipsos Report, there are about 8,000 packaging manufacturers worldwide which manufacture packaging cases for watches, jewellery and eyewear products and the PRC (including Hong Kong) is the leading production base accounting for about 90% of the global market share in manufacturing packaging products for watches, jewellery and eyewear products. There were about 2,000 manufacturers in the PRC which manufacture packaging products for watches in 2011, and these PRC manufacturers contributed nearly 80% of the global output value and volume of packaging products for watches manufactured worldwide from 2007 to 2011. Our competitors are primarily other manufacturers specialising in manufacturing packaging products on an OEM basis based in the PRC and other Asian countries (such as Thailand) with low labour costs, who have the manufacturing capability and expertise to cater for the demands of internationally renowned brands of consumer goods such as watches, jewellery and eyewear products, with emphasis on product quality. We compete principally on product quality, pricing, reputation, product design and development capability, manufacturing techniques, production capacity and delivery, with varying emphasis on these factors depending on the market, the customer and the product. Our results of operation could be materially and adversely affected should we be unable to compete successfully in one or more of the foregoing areas. There is no assurance that we will be successful in maintaining or expanding our market share against our competitors. Our competitors may be able to respond quickly to new or changes in market trend or customer requirements and/or demands or adopt more competitive pricing policies. Existing and/or increased competition could adversely affect our market share and materially affect our business, financial condition and operating results.

We also attribute our success to product quality, on-time delivery, our ability to offer a comprehensive product range and model portfolio of products, and our product design and development capabilities. Any of our competitors may provide more comprehensive product design and development services and/or better product quality than us at competitive pricing. There is no assurance that we may continue to refine and develop our manufacturing techniques, or keep up with design and market trends or develop improvement to maintain our competitive advantages. If our competitors are more successful in developing their manufacturing capability and expertise to cater for the demands of internationally renowned brands or customers for luxury consumer products with emphasis on product quality, they may be able to expand their customer base faster and obtain more orders than us. We may lose our competitive advantage with more such manufacturers on the market. In such event, our business operations and profitability may be materially and adversely affected.

The business of our Group may be affected by outbreaks and recurrence of epidemics, natural disasters, acts of war, terrorist acts, political unrest and other events which are beyond our control

Certain countries have experienced epidemics such as the severe acute respiratory syndrome, avian influenza and natural disasters such as fire, floods, droughts, blizzards and earthquakes, which have had an adverse impact on the economies of the affected countries.

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Where there is an outbreak or a recurrence of epidemics or natural disaster in any country, acts of war, terrorist acts, political unrest and other events which are beyond our control, this could result in disruption to our business, which could in turn adversely affect our operations and financial results.

RISK RELATING TO CONDUCTING BUSINESS IN THE PRC

Political and economic policies of the PRC government and social conditions and legal developments of the PRC could affect our business

Our results, financial condition and prospects are to a significant degree subject to the economic, political and legal developments of the PRC, as a substantial part of our assets and manufacturing operations are located in the PRC. The economic, political and social conditions, as well as government policies, including taxation policies, of the PRC, could affect our business. The PRC economy differs from the economies of most developed countries in many respects, including its structure, level of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. The PRC economy has historically been a planned economy and has been in a transitional stage to a more market-driven economy. The PRC government continues to play a significant role in regulating industries by imposing industrial policies. There can be no assurance that economic, political or legal systems of the PRC will not develop in a way that is detrimental to our business, results of operations and prospects.

The government control of currency conversion could affect our business operations

At present, RMB is not freely convertible to other currencies. Under the current foreign exchange regulations, RMB is convertible without approvals from SAFE or its local counterpart only with regard to current account transactions, including trade and service related foreign exchange transactions and payment of dividends to foreign investors, while the foreign exchange transactions in respect of capital account items including the foreign currency capital in any foreign investment enterprise in the PRC, the repayment of foreign currency loans and the payment pursuant to foreign currency guarantees, continue to be subject to significant foreign exchange controls and require the prior approval of the SAFE or its local counterpart. There can be no assurance that the PRC government will not impose more stringent restrictions on the convertibility of RMB, especially relating to foreign exchange transactions. If the PRC government imposes additional restrictions on the convertibility of RMB, we may have difficulties converting HK\$ or other foreign currencies into RMB and vice versa for our operations in the PRC, and our business operations could be materially affected.

Uncertainties regarding interpretation and enforcement of the PRC laws and regulations may impose adverse impact on our business, operations and profitability

Although many laws and regulations have been promulgated and amended in the PRC since 1978, the PRC legal system is still not sufficiently comprehensive when compared to the legal systems of certain developed countries. The interpretation of the PRC laws and regulations involves significant uncertainties and different degrees of inconsistencies. Some of the laws and regulations are still at a developing stage and are therefore subject to policy changes.

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Many laws, regulations, policies and legal requirements have only been recently adopted by PRC central or local government agencies, and their implementation, interpretation and enforcement may involve uncertainty due to the lack of established practice available for reference. In addition, it may also be difficult to enforce judgments and arbitration awards in the PRC. Many laws and regulations in the PRC are promulgated in broad principles and the Central People's Government has gradually laid down implementation rules and has continued to refine and modify such laws and regulations. As the PRC legal system develops, the promulgation of new laws or refinement and modification of existing laws may affect foreign investors. There can be no assurance that future changes in legislation or the interpretation thereof will not have an adverse effect on our business, operations or profitability.

During the Track Record Period, the production of most of our packaging products was carried out in the PRC Processing Factories under the PRC Processing Agreements. As advised by our PRC legal advisers, although the People's Government of Shenzhen Municipality promulgated a policy in October 2011 to promote and encourage the transformation of contract processing enterprises in Shenzhen into foreign owned enterprises, the People's Government of Shenzhen Municipality does not impose any mandatory obligations for the transformation of all of the contract processing enterprises into foreign owned enterprises within a specified time. Therefore, although the aforesaid policy applies to Guanlan Processing Factory, our Group is at liberty to continue our manufacturing operation through the existing processing arrangements.

Up to the Latest Practicable Date, our Group has not been ordered or requested by the PRC government to terminate the processing arrangements with the PRC Processing Factories under the PRC Processing Agreements and to continue such manufacturing operations in a foreign owned enterprise established or to be established by our Group. However, the PRC government may change the laws or government policies in the PRC in a way which imposes mandatory obligations on our Group to terminate the processing arrangements with the PRC Processing Factories under the PRC Processing Agreements and to continue our manufacturing operations thereat in a foreign owned enterprise established or to be established by our Group. If the above materialises, we may incur additional costs to comply with such requirements and results of operations of our Group may be adversely affected.

As advised by our tax adviser, if our manufacturing operations are to be transformed from the processing arrangements with the PRC Processing Factories into that in foreign owned enterprises of our Group, their existing contract processing arrangements with Qualipak Manufacturing will change correspondingly. Depending on details of the change during the transformation which are subject to negotiation with the PRC government, Qualipak Manufacturing may or may not be able to be entitled to the 50:50 offshore claim pursuant to DIPN 21 in relation to the profits generated from the sale of goods that are manufactured by the foreign owned enterprises of our Group in the future, and all of its profits generated from the sale of goods that are manufactured by the foreign owned enterprises may become taxable in Hong Kong. Any additional tax payable by our Group arising from the change in the mode of our manufacturing operations may adversely affect our Group's profitability.

RISK FACTORS

Labour costs of the PRC Processing Factories, and hence our costs of production, may increase for reasons such as a labour shortage in the places we operate

If there is a shortage of labour or for any reason the labour cost in the PRC or any other country in which we operate, whether through processing arrangements or otherwise, rises significantly, the cost of production of our products is likely to increase. This may in turn affect the selling prices of our products, which may then affect the demand of such products and thereby adversely affect our sales and financial condition. Increase in costs of other components required for production of our products may cause similar adverse effects, particularly if we are unable to identify and employ other appropriate means to reduce our costs of production. Furthermore, we may not be able to pass on the increased cost to customers by increasing the selling prices of our products in light of competitive pressure in the market. In such circumstances, our profit margin may decrease and our financial results may be adversely affected.

PRC regulations relating to acquisitions of PRC companies by foreign entities may limit our ability to acquire PRC companies and adversely affect the implementation of our strategy as well as our business and prospects

The Rules on the Acquisition of Domestic Enterprises by Foreign Investors (2006 Revision) (關於外國投資者併購境內企業的規定) (the “M&A Rules”), which were promulgated in August 2006 and were amended on 22 June 2009, set out the rules for the acquisition by foreign investors of equity interest in a non-foreign invested enterprise in the PRC, whether through a purchase of equity interest from existing shareholders or through a direct subscription to such enterprise’s capital, that would result in that enterprise becoming a foreign-invested enterprise. The M&A Rules further require that the business scope of the resultant foreign-invested enterprise should conform to the Foreign Investment Industrial Guidance Catalogue (外商投資產業指導目錄). The M&A Rules also provide the procedures for the acquisition of equity interests in domestic enterprises.

There are uncertainties as to how the M&A Rules will be interpreted or implemented. If we decide to acquire a PRC domestic enterprise in the future, there is no assurance that we or the owners of such PRC domestic enterprise can successfully complete all necessary approval requirements under the M&A Rules. This may restrict our ability to implement our expansion and acquisition strategy and could materially and adversely affect our future growth.

PRC regulations on loans to and direct investment by offshore holding companies in PRC entities may delay or prevent us from using the proceeds of the Share Offer to make loans or additional capital contributions to our PRC subsidiaries

As an offshore holding company of a group of companies with business operations in the PRC, we may establish new corporate entities in the PRC for our business purpose and make loans and/or capital contributions to such entities. We may also make loans or capital contributions to our existing PRC subsidiary, Qualipak Zhongshan, which has not undertaken any business operation since its establishment. Any loans to such PRC entities or to Qualipak Zhongshan are subject to PRC regulations and foreign exchange loan registrations. For example, loans by us to such PRC entities or Qualipak Zhongshan to finance their activities cannot exceed statutory limits and must be registered with the SAFE or its local counterpart. We may also determine to finance such PRC entities or Qualipak Zhongshan by means of capital contributions. These capital contributions must be approved by the PRC Ministry of Commerce or its local counterpart. There is no assurance that we can obtain these government registrations or approvals on a timely basis, if at all, with respect to future loans or

RISK FACTORS

capital contributions by us to finance our PRC entities or Qualipak Zhongshan. If we fail to receive relevant registrations or approvals, our ability to use the proceeds of this offering and to capitalise our PRC operations would be negatively affected which would adversely and materially affect our liquidity and our ability to expand our business.

RISKS RELATING TO THE SHARE OFFER

Issuance of Shares pursuant to the Share Option Scheme will result in dilution of Shareholders' interests and reduction in earnings of our Group in future years

Any exercise of the options to be granted under the Share Option Scheme in the future and issuance of Shares thereunder would also result in an increase in the number of Shares in issue after the issuance and thereby cause dilution to the percentage of ownership of the existing Shareholders. There may also be a dilution in the earnings per Share and net asset value per Share as a result of the increase in the number of Shares in issue after the issue of such additional Shares.

Under the HKFRS, the cost of equity-settled transactions with employees from the grant of share options is determined by reference to the fair value of share options at the date at which they are granted and is recognised in profit or loss with a corresponding increase in equity. Any grant of options by us under the Share Option Scheme in the future may also be recognised in profit or loss accordingly and may also adversely affect our profitability.

There has been no prior market for the Shares

Prior to the Share Offer, there has been no public market for the Shares. There is no guarantee that a liquid public market for the Shares will develop or be sustained upon completion of the Share Offer. In addition, the Offer Price has been determined by negotiations between the Sole Lead Manager and us, and may not be indicative of the market price of the Shares that will prevail in the trading market and such market prices may be volatile.

If an active public market for the Shares does not develop after the Share Offer, the market price and liquidity of the Shares may be adversely affected. Investors may not be able to sell their Shares at or above the Offer Price. The stock market of Hong Kong generally has experienced increasing price and volume fluctuations, some of which have been unrelated or have not corresponded to the operating performances of such companies in recent years. Volatility in the price of the Shares may be caused by factors outside our control and may be unrelated or disproportionate to our Group's operating results.

Future sales or perceived sales of substantial amounts of the Shares in the public market could have a material adverse effect on the prevailing market price of the Shares

Immediately after completion of the Distribution and the Share Offer, taking no account of any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme and any Shares which may be allotted and issued or repurchased by our Company under the general mandates given to our Directors to allot and issue or repurchase Shares, our Company will have 143,765,993 Shares in issue, of which (assuming that all CC Land Qualifying Shareholders take up their Assured Entitlement under the Preferential Offer in full, and taking no account of any Public Offer Shares which may be taken up by our Controlling Shareholders under the Public Offer) an aggregate of 70,997,638 Shares will be held by our Controlling Shareholders,

RISK FACTORS

representing about 49.38% of the entire enlarged issued share capital of our Company. Shares held by our Shareholders (other than our Controlling Shareholders) immediately upon completion of the Share Offer and the Distribution, including Shares to be held by the investors participating in the Share Offer and Shares to be distributed to the CC Land Qualifying Shareholders under the Distribution, will be eligible for immediate resale in the public market in Hong Kong upon the Listing. On the other hand, under Rule 10.07(1) of the Listing Rules, our Controlling Shareholders shall not dispose of any of their Shares prior to the date which is six months after the Listing Date.

We cannot guarantee that all the Controlling Shareholders will not dispose of any Shares upon the expiry of such period. In the event that any of the Controlling Shareholders sells a substantial number of the Shares in the market, or where there is a perception that such sales may occur, there could be a substantial adverse effect on the prevailing market price of the Shares.

Investors may experience difficulties in effecting service of legal process and enforcing judgments against our Company and our management

Our Company is a company incorporated in Bermuda under the Companies Act with limited liability and the Companies Act differs in some respects from those of Hong Kong or other jurisdictions where investors may be located. As a result, the remedies available to the minority Shareholders may be different from those they would have under the laws of Hong Kong or other jurisdictions.

Our Company's corporate affairs are governed by its memorandum of association and By-laws, the Companies Act and the common law of Bermuda. The rights of the Shareholders to take legal action against the Directors and our Company, actions by minority Shareholders and the fiduciary responsibilities of the Directors to our Company under Bermuda law are to a large extent governed by the common law of Bermuda. The common law of Bermuda is derived in part from comparatively limited judicial precedent in Bermuda as well as from English common law, which has persuasive, but not binding, authority on a court in Bermuda. The rights of the Shareholders and the fiduciary responsibilities of our Directors under Bermuda law may not be as clearly established as they would be under statutes or judicial precedents in Hong Kong or other jurisdictions where investors may be located. In particular, Bermuda has a relatively less developed body of securities laws.

In addition, although our Company will be subject to the Listing Rules and the Takeovers Code upon the listing of the Shares on the Stock Exchange, the Shareholders will not be able to bring actions on the basis of violations of the Listing Rules and must rely on the Stock Exchange to enforce its rules.

Furthermore, the Takeovers Code does not have the force of law and only provide standards of commercial conduct acceptable for takeover and merger transactions and share repurchases in Hong Kong.

As a result of any or all of the above, the Shareholders may have more difficulty in protecting their interests in the case of actions taken by our Company's management, directors or major shareholders than they would as shareholders of a Hong Kong company or companies incorporated in other jurisdictions.

For further information on the constitution of our Company and the Companies Act, see the section headed "Summary of the constitution of the Company and Bermuda company law" set out in Appendix IV to this prospectus.

RISK FACTORS

Certain facts, forecast and other statistics in this prospectus obtained from publicly available sources have not been independently verified

Certain facts, forecast and other statistics in this prospectus have been derived from publicly available sources. However, the Directors cannot guarantee the quality or reliability of such source materials. We believe that the sources of the said 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. Nevertheless, such information has not been independently verified by us, the Sole Sponsor, the Sole Lead Manager, the Underwriter or any of their respective affiliates or advisers and, therefore, we make no representation as to the accuracy of such facts and statistics.

Further, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, you should consider carefully how much weight or importance you should attach to or place on such facts or statistics.

Forward-looking statements contained in this prospectus are subject to risks and uncertainties

This prospectus contains certain statements that are “forward-looking” and indicated by the use of forward-looking terminology such as “believe”, “intend”, “anticipate”, “estimate”, “plan”, “potential”, “will”, “would”, “may”, “should”, “expect”, “seek” or similar terms. Prospective investors are cautioned that reliance on any forward-looking statement involves risk and uncertainties and that, although the Directors believe the assumptions related to those forward-looking statements are reasonable, any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. The risks and uncertainties in this regard consist of those identified in the risk factors discussed above. In light of these and other risks and uncertainties, the enclosure of forward-looking statements in this prospectus should not be regarded as representations by us that the plans and objectives will be achieved, and investors should not place undue reliance on such statements.

We strongly caution you not to place any reliance on any information contained in press articles or media regarding our Group or the Share Offer

There may be press and media coverage regarding our Group or the Share Offer, which may include certain financial information, financial projections and other information about our Group that do not appear in this prospectus. We have not authorised the disclosure of any such information in the press or media. We do not accept any responsibility for any such press or media coverage or the accuracy or completeness or reliability of any such information or publication. To the extent that any such information appearing in publications other than this prospectus is inconsistent or conflicts with the information contained in this prospectus, we expressly disclaim it. Accordingly, prospective investors should not rely on any such information. In making your decision as to whether to purchase the Shares, you should rely only on the financial, operational and other information included in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

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

The Share Offer is made solely on the basis of the information contained and the representations made in this prospectus and the Application Forms. No person is authorised in connection with the Share Offer to give any information or to make any representation not contained in this prospectus and the Application Forms, and any information or representation not contained herein must not be relied upon as having been authorised by us, the Sole Sponsor, the Sole Lead Manager, the Underwriter, any of their respective directors or affiliates of any of them or any other persons or parties involved in the Share Offer.

UNDERWRITING

This prospectus is published in connection with the Share Offer which is sponsored by the Sole Sponsor and managed by the Sole Lead Manager. The Share Offer comprises the Public Offer and the Preferential Offer. Any unsubscribed Reserved Shares under the Preferential Offer will be re-allocated to the Public Offer which is fully underwritten by the Underwriter subject to the terms and conditions of the Underwriting Agreement. Information relating to the underwriting arrangements is set out in the section headed "Underwriting" in this prospectus.

PROCEDURES FOR APPLICATION FOR THE PUBLIC OFFER SHARES AND RESERVED SHARES

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

SELLING RESTRICTIONS

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

No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been and will not be publicly offered or sold, directly or indirectly, in the PRC or the United States.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, the Shares in issue, Shares to be issued pursuant to the Share Offer, and any Shares, up to 10% of the issued share capital of our Company as at the date of approval of the Share Option Scheme in accordance with the Listing Rules, to be issued upon the exercise of any options which may be granted under the Share Option Scheme, on the Main Board.

Save as disclosed herein, no part of the Shares or loan capital of our Company is listed or dealt in on the Main Board or on any other stock exchange and at present, no such listing or permission to deal is being or is proposed to be sought on the Main Board or any other stock exchange in the near future.

HONG KONG SHARE REGISTER AND STAMP DUTY

All Shares to be issued pursuant to the Share Offer will be registered on our Company's register of members in Hong Kong to be maintained by the Hong Kong Share Registrar. The principal register of members will be maintained in Bermuda. Only Shares registered on the register of members of our Company in Hong Kong may be traded on the Stock Exchange.

Dealings in Shares registered on the register of members 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 the Shares being sold or transferred.

PROFESSIONAL TAX ADVICE RECOMMENDED

If you are unsure about the taxation implications of subscribing for, purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to, the Offer Shares, you should consult an expert.

We, the Directors, the Sole Sponsor, the Sole Lead Manager, the Underwriter, any of their respective directors, agents or advisers or any other persons or parties involved in the Share Offer do not accept responsibility for any tax effects on or liabilities resulting from the subscription for, purchase, holding, disposing of, dealing in, or the exercise of any rights in relation to, the Offer Shares.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the approval for listing of, and permission to deal in, the Shares on the Stock Exchange and our compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading days. Investors should seek the advice of their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

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

STRUCTURE OF THE SHARE OFFER

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

CURRENCY TRANSLATIONS

Unless otherwise specified, amounts denominated in United States dollars and RMB have been translated, for illustration purposes only, into Hong Kong dollars in this prospectus at the following rates:

HK\$7.8 : US\$1.00

HK\$1.23 : RMB1

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

LANGUAGE

The English names of the PRC nationals, entities, departments, facilities, certificates, titles, laws, regulations and the like are translations of their Chinese names and are included for identification purposes only. If there is any inconsistency, the Chinese name prevails.

ROUNDING

Certain amounts and percentage figures included in this prospectus are subject to rounding adjustments. Any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Main Board are expected to commence at 9:00 a.m. on Thursday, 12 July 2012. Shares will be traded in board lots of 2,000 each.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

DIRECTORS

Name	Address	Nationality
<i>Chairman of the Board and Non-executive Director</i>		
Dr. LAM How Mun Peter (林孝文)	Flat 97, 21/F, Tower 18, Hong Kong Parkview, No. 88 Tai Tam Reservoir Road, Hong Kong	British
<i>Executive Directors</i>		
Ms. POON Ho Yee Agnes (潘浩怡)	14L, 860 King's Road, Hong Kong	Chinese
Mr. WU Hong Cho (胡匡佐)	1/F, Block 1, Rosary Villas, 1-19 Lok Lam Road, Fotan, New Territories, Hong Kong	Chinese
Mr. LAM Hiu Lo (林曉露)	Flat 2, 10/F, Block A, Villa Lotto, 18 Broadwood Road, Happy Valley, Hong Kong	Chinese
Mr. LEUNG Chun Cheong (梁振昌)	A4, 18/F, Grandview Tower, 128-130 Kennedy Road, Hong Kong	Chinese
<i>Non-executive Director</i>		
Mr. LEUNG Wai Fai (梁偉輝)	Flat B, 22/F, Block 8, Hong Kong Garden, Tsing Lung Tau, New Territories, Hong Kong	Chinese
<i>Independent Non-executive Directors</i>		
Mr. CHAN Sze Hung (陳仕鴻)	Flat 1, 26/F, Block C, Beverly Hill, 6 Broadwood Road, Happy Valley, Hong Kong	British
Mr. TAM Kwok Fai Paul (譚國輝)	Flat H, 4/F, Kennedy Mansion, 165 Belcher's Street, Hong Kong	Chinese
Dr. LEUNG Wai Keung (梁偉強)	Flat A, 29/F, Block 7, Royal Ascot, Shatin, New Territories, Hong Kong	American

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

PARTIES INVOLVED IN THE SHARE OFFER

Sole Sponsor	Haitong International Capital Limited 25th Floor, New World Tower 16-18 Queen's Road Central Hong Kong
Sole Lead Manager	Haitong International Securities Company Limited 25th Floor, New World Tower 16-18 Queen's Road Central Hong Kong
Underwriter	Haitong International Securities Company Limited 25th Floor, New World Tower 16-18 Queen's Road Central Hong Kong
Legal advisers to our Company	<i>As to Hong Kong law:</i> Deacons 5th Floor, Alexandra House 18 Chater Road Hong Kong <i>As to PRC law:</i> GFE Law Office 18th Floor, Guangdong Holdings Tower 555 Dongfeng East Road Guangzhou, 510050 The PRC <i>As to Bermuda law:</i> Conyers Dill & Pearman 2901 One Exchange Square 8 Connaught Place Central Hong Kong
Legal advisers to the Sole Sponsor and the Underwriter	<i>As to Hong Kong law:</i> Chiu & Partners 40th Floor, Jardine House 1 Connaught Place Central Hong Kong <i>As to PRC law:</i> King & Wood Mallesons Lawyers 55th Floor Guangzhou International Financial Centre 5 West Zhujiang Road Guangzhou The PRC

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Reporting accountants

Ernst & Young
Certified Public Accountants
22nd Floor, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

Professional surveyor

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

Receiving banker

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

CORPORATE INFORMATION

Registered office	Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda
Headquarters and principal place of business in Hong Kong	7th Floor, China United Centre 28 Marble Road, North Point Hong Kong
Authorised representatives	Ms. POON Ho Yee Agnes 14L, 860 King's Road, Hong Kong Mr. WU Hong Cho 1/F, Block 1, Rosary Villas, 1-19 Lok Lam Road, Fotan, New Territories, Hong Kong
Company secretary	Ms. FUNG Pui Ling <i>ACIS, ACS</i>
Audit committee	Mr. TAM Kwok Fai Paul (<i>Chairman</i>) Mr. CHAN Sze Hung Dr. LEUNG Wai Keung
Remuneration committee	Mr. CHAN Sze Hung (<i>Chairman</i>) Dr. LAM How Mun Peter Dr. LEUNG Wai Keung Mr. TAM Kwok Fai Paul
Nomination committee	Dr. LAM How Mun Peter (<i>Chairman</i>) Mr. CHAN Sze Hung Mr. TAM Kwok Fai Paul Dr. LEUNG Wai Keung Ms. POON Ho Yee Agnes
Compliance adviser	Haitong International Capital Limited 25th Floor, New World Tower 16-18 Queen's Road Central Hong Kong
Website address	www.qualipakhk.com (<i>The content of the website does not form part of this prospectus</i>)
Principal share registrar and transfer office in Bermuda	Butterfield Fulcrum Group (Bermuda) Limited Rosebank Centre 11 Bermudiana Road Pembroke HM 08 Bermuda
Hong Kong branch share registrar and transfer office	Tricor Secretaries Limited 26th Floor, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Principal bankers	The Hongkong and Shanghai Banking Corporation Limited 40 Des Voeux Road West Hong Kong BNP Paribas, Hong Kong Branch 59th-63rd Floor, Two International Finance Centre 8 Finance Street Hong Kong

INDUSTRY OVERVIEW

The information and statistics set out in this section have been extracted from the research report compiled by Ipsos Hong Kong Limited and other publicly available sources. Our Directors believe that the sources of statistical and graphical information contained in this section are appropriate sources for such information. Reasonable care has been exercised by our Directors and Ipsos Hong Kong Limited in the exercise of extracting and repeating such information. Our Directors have no reason to believe that such facts, statistics and data presented in this section are false or misleading or that any fact has been omitted that would render such facts, statistics and data false or misleading. No independent verification has been carried out on such information and statistics by us, the Sole Sponsor, the Sole Lead Manager, the Underwriter, their respective affiliates, directors and advisers or any other parties involved in the Share Offer, and none of them makes any representation as to the accuracy or completeness of such information.

INTRODUCTION

We are principally engaged in the OEM manufacturing and sourcing of packaging products. Our principal products include watch boxes, jewellery boxes, eyewear cases, bags and pouches and display units.

For the purpose of this section, we have commissioned Ipsos Hong Kong Limited, an independent market research company, to compile the Ipsos Report which provides a market overview of packaging products for certain categories of consumer products relevant to the business of our Group. Our Directors understand that our products are ultimately sold with or displayed for retail sales of consumer goods such as watches, jewellery and eyewear products in the retail market worldwide. Our Directors believe that although packaging only accounts for a minor proportion of the production costs of such consumer goods, packaging is essential to the image of these products to consumers and hence is important to the success of these products in the retail market.

Our Directors confirm that as a result of market fragmentation, the lack of official industrial statistics and the inability for market research to cover all manufacturers and/or packaging products or displays units in the PRC and worldwide, it is not possible to accurately estimate the market share and market position of our Group.

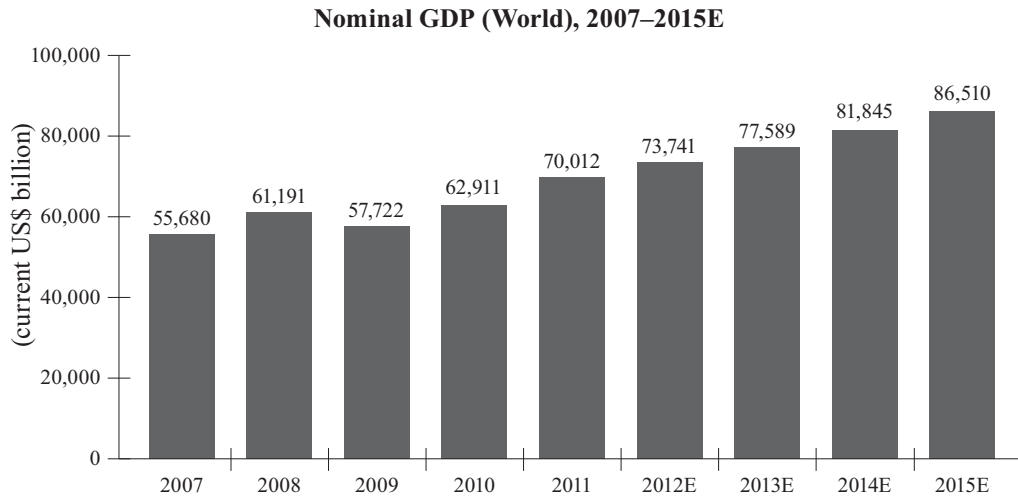
The future growth and prospects of the packaging products industry will depend upon the global economic situation which affects the spending power of individuals on consumer goods and market conditions of the consumer markets for these products.

OVERVIEW OF THE GLOBAL ECONOMY

According to the International Monetary Fund (the “IMF”), the global economy is threatened by intensifying strains in the euro area and fragilities elsewhere. The euro area economy is now expected to go into a mild recession in 2012 as a result of the rise in sovereign yields, the effects of bank deleveraging on the real economy, and the impact of additional fiscal consolidation. Growth in emerging and developing economies is also expected to slow because of the worsening external environment and a weakening of internal demand. According to the IMF’s World Economic Outlook (the “WEO”) Database, September 2011, world real gross domestic product (“GDP”) had decreased from a 5.1% growth rate in 2010 to 4.0% in 2011. However, the updated WEO projects see global activity decelerating but not collapsing. The world real GDP is projected to expand steadily by 4.0% in 2012 and 4.5% in 2013.

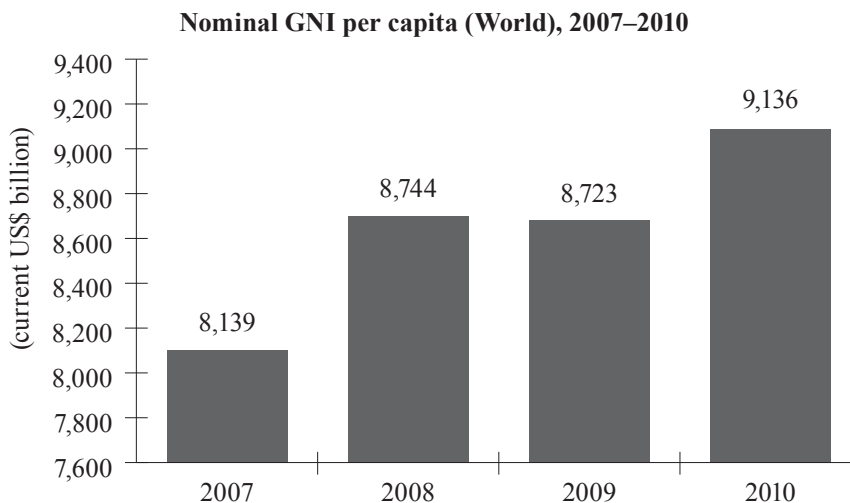
INDUSTRY OVERVIEW

According to the IMF, world nominal GDP increased from about US\$57,722 billion in 2009 to about US\$70,012 billion in 2011, representing a CAGR for the period of about 10.1%, which reflects a significant growth. Given that most advanced economies avoid falling back into a recession, while activity in emerging and developing economies slows from a high pace, the world nominal GDP is projected to grow at a GAGR of about 5.5% from 2012 to 2015. The chart below sets out the historical and projected nominal GDP of the world for the periods indicated.



Source: IMF, *World Economic Outlook Database*, September 2011

Global income levels per capita had been experiencing a downward movement from 2007 up and until the global recovery in 2010. According to The World Bank, world nominal gross national income (“GNI”) per capita increased from about US\$8,139 in 2007 to about US\$9,136 in 2010, and the CAGR of the period is about 3.9%, which reflects a sluggish growth. The chart below sets out the historical nominal GNI per capita of the world for the periods indicated.



Source: *The World Bank, World Development Indicator*

The growth of world nominal GDP and GNI per capita since 2007 reflects the increase in global consumer purchasing power, which supports growth in the global demand for middle to high-end and luxury consumer products such as watches, jewellery and eyewear, and in turn drives global demand for packaging products and point-of-sale display units for these consumer products.

INDUSTRY OVERVIEW

OVERVIEW OF MAJOR PRODUCTION MATERIALS

Paper, resin and fabric are the three most significant production material types for our operations in terms of our total purchase amount of production materials for the year ended 31 December 2011.

Paper

In general, the price of paper has been affected by the balance of supply and demand in the market and had fluctuated in the past few years. According to the Ipsos Report, the price of paper rose in the first half of 2008 due to increase in production cost as well as supply shortage attributable to shut down of paper production factories in China as a result of tightening environmental policies and standards. In the second half of 2008, the price began to drop rapidly due to falling costs, reduced demand as a result of the global financial crisis, excessive surge in price before, and reduced inventory by distributors. The price of paper picked up in 2009 after a steep decline in 2008, and was affected by tightening supply of pulp in the global market and the imbalance in inventory. Since 2009, the continued increase in raw material prices, the rising cost of ocean freight and chemical products, coupled with increasing paper demand, had forced paper price to go up. In general, increasing demand and limited pulp production capacity contributed to the imbalance between supply and demand with the effect that paper price had continued to go up in 2010 and 2011.

Resin

According to the Ipsos Report, the price of resin had fluctuated in the past few years and was affected by the demand from its applications and the price of crude oil and naphtha. A significant increase in unit purchase price of resin was observed during the Track Record Period, which may be attributed to the soaring of oil price during the period. The demand for resin in 2011 is estimated to be higher than in 2010, but the market has been in recession in the first quarter of 2012 due to low demand from downstream of the industry. The combined effect of overcapacity and low consumer confidence has led to price competition, but the need to sustain production cost of suppliers is expected to have an upward pressure on price. As a whole, the price of resin in 2012 is expected to maintain at a similar level as 2011.

Fabric

According to the Ipsos Report, as the key application of fabric is on clothing production, the demand for fabric has been mainly driven by the apparel retailing market. In general, demand for fabric has been declining in the past few years due to lower demand in clothing. The global financial crisis in late 2008 and the recent debt crisis in Europe have weakened the purchasing power on clothing and contributed to a drop in demand for fabric and fabric price. In China, the increase in wages has produced strong pressure in clothing production, with the effect that demand for fabric and its price has dropped in China in recent years.

OVERVIEW OF CONSUMER PRODUCTS PACKAGING MARKET

For the purpose of this section, we have commissioned Ipsos Hong Kong Limited, an independent global market research company, to compile the Ipsos Report which provides a market overview of packaging products for certain categories of consumer products relevant to the business of our Group.

INDUSTRY OVERVIEW

Our Directors confirm that as a result of market fragmentation, the lack of official industrial statistics and the inability for market research to cover all manufacturers and/or packaging products or displays units in the PRC and worldwide, it is not possible to accurately estimate the market share and market position of our Group.

Overview of the global demand for packaging for watches, jewellery and eyewear

According to the Ipsos Report, packaging of products traditionally serves protection purposes at storage as well as during the course of delivery. Today, packaging products offer more than just protection, and play a key role in communication of product value and brand images. It is getting more important to retailers and brand owners as evolved with the consumption habits of consumer goods.

The Ipsos Report notes that watches, jewellery and eyewear have high demand on packaging products, and that boxes, bags and pouches made of metal, plastic (resin), paper, or wood with other materials such as leatherette or fabric mounted on surface are popular packaging products for these consumer products.

According to the Ipsos Report, the global demand (in terms of estimated sales value) of watches, jewellery and eyewear in 2009, 2010 and 2011 was as follows:

	2009	2010	2011
	<i>US\$ billion</i>	<i>US\$ billion</i>	<i>US\$ billion</i>
	<i>(estimate)</i>	<i>(estimate)</i>	<i>(estimate)</i>
Watches	50.4	60.7	71.7
Jewellery	176.0	213.0	283.3
Eyewear	62.7	72.0	76.4
Total	289.1	345.7	431.4

Source: Ipsos Report

In 2010, the market saw the first signs of economic recovery which led to a strong rebound in consumer confidence for consumer products. In 2011, mature markets of the US and Europe saw a new growth phase for local consumption of consumer products and emerging markets such as the PRC continued to drive demand. The Japanese earthquake had a milder effect than expected.

The consumer products market will continue to grow, driven by emerging markets such as Latin America. The PRC in particular will continue to drive demand in the global market. The mature markets of the US and Europe will strengthen and continue to hold the majority of personal wealth in the medium term. Rising consumer confidence and demand for consumer goods will drive global demand for consumer products packaging in the future.

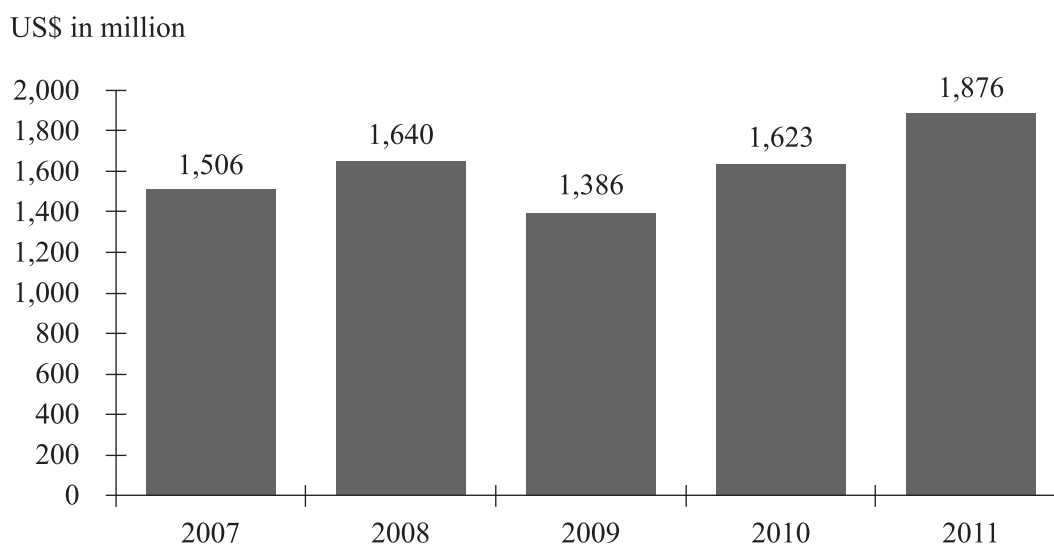
The Ipsos Report notes that there are about 8,000 packaging manufacturers for watches, jewellery and eyewear worldwide. Asia is the key region for the production of packaging for such consumer products because of low production costs and the abundance of skilled workers. Among the Asian countries, the PRC (including Hong Kong) is the leading production base for consumer products packaging and represents about 90% of the global market share in manufacturing of packaging products for watches, jewellery and eyewear. Other Asian countries, such as Thailand, South Korea and Taiwan, also play an important role.

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According to the Ipsos Report, the production process for packaging is generally labour intensive and requires skilled craftsmanship of workers. Competition for labour with other manufacturers and other industries is causing salary levels to keep rising in the PRC. In addition, the price of principal production materials for consumer product packaging is increasing. As competition is keen in the consumer product packaging industry, there is increasing pressure on packaging manufacturers to shift costs to customers.

Estimation of the total output value of packaging products manufactured in the PRC for watches, jewellery and eyewear from 2007 to 2011

The graph below illustrates the estimated market output value of packaging products manufactured in the PRC for watches, jewellery and eyewear:



Source: Ipsos Report

The market output value of packaging manufactured in the PRC for watches, jewellery and eyewear grew from about US\$1,506 million in 2007 to about US\$1,876 million in 2011, representing a CAGR of about 5.6%. According to the Ipsos Report, the world economic crisis in 2008 caused a slump in the global demand of watches, jewellery and eyewear products, hampering the market demand for their packaging in 2009, and the market output value of packaging for these products manufactured in the PRC in 2009 decreased by about 15.5% as compared with that for 2008. The strong rebound in the global economy restored consumer confidence in 2010. Positively influenced by the strong demand in watches, jewellery and eyewear products, the demand for their packaging was strong in 2010 and had remained a positive trend through 2011.

OVERVIEW OF GLOBAL WATCH INDUSTRY

Watches are traditionally the key sector driving the demand for consumer products packaging. Sales value of watches increased from about US\$50.4 billion in 2009 to about US\$71.7 billion in 2011 and fuelled growth in the demand for consumer products packaging manufactured in the PRC. Strong demand from emerging markets for middle to high-end watches will also fuel growth in the global market output value of consumer products packaging in the next few years.

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Rising income in emerging markets have given rise to a new category of affluent young professionals with high purchasing power. Emerging markets have become a potential opportunity for watch manufacturers.

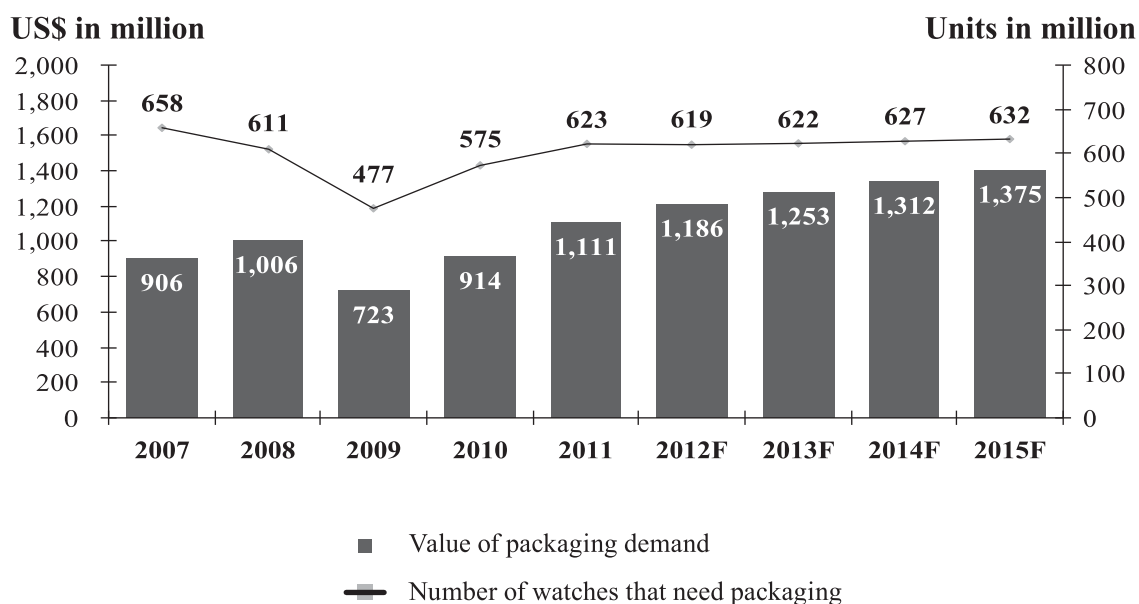
According to the Ipsos Report, the global market for watches is dominated by seven brands/manufacturers, which together contributed about 56% of the total market value of watches in the global market. Swiss and Japanese brands/manufacturers dominated the global watch market. Only one out of these seven brands/manufacturers is from the US.

OVERVIEW OF WATCH PACKAGING MANUFACTURING INDUSTRY IN THE PRC

According to the Ipsos Report, there were over 2,000 packaging manufacturers in the PRC for watches in 2011. With advantages of relatively low production costs and skilled workforce, the PRC accounted for nearly 80% of the global output value and volume of packaging products manufactured for watches in 2011. The Ipsos Report notes that a number of watch packaging manufacturers in Hong Kong, Germany, Italy and South Korea have relocated their production bases to the PRC in light of lower production costs. The majority of packaging for watches are watch boxes for retail sales and are usually made of metal, plastic (resin), paper or wood with other materials such as leatherette or fabric materials affixed onto the surface. Packaging products manufactured in the PRC for watches are mainly exported to customers in Europe, the US and Hong Kong.

Estimation of the global market demand for packaging products for watches from 2007 to 2015

The graph below illustrates the estimated global demand of packaging products for watches:



Source: Ipsos Report

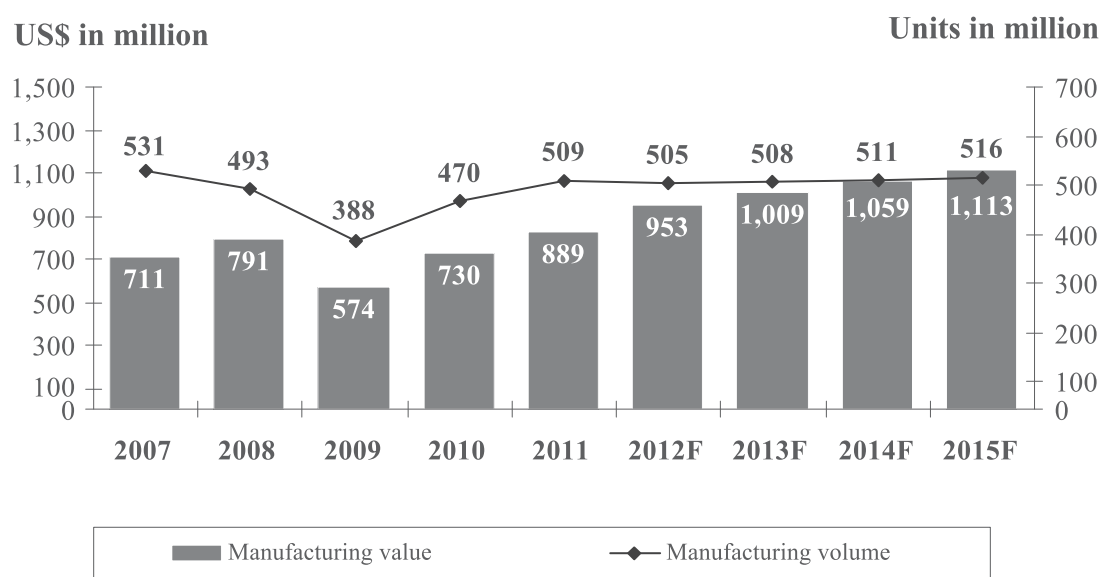
INDUSTRY OVERVIEW

The estimated global market demand value of packaging products for watches grew from about US\$906 million in 2007 to about US\$1,111 million in 2011, representing a CAGR of about 5.2%, while the estimated number of watches that need packaging dropped from about 658 million units in 2007 to about 623 million units in 2011.

According to the Ipsos Report, global demand for packaging of watches experienced a decline in 2009 as a result of the financial crisis and its effect on Europe and the US. As the world's economy showed signs of recovery in 2010 and 2011, market demand for packaging for watches rebounded in 2010 and 2011. Going forward, with the increase in spending power in emerging markets and the recovery of consumer confidence in developed countries, it is forecasted that the global demand value and number of packaging for watches will grow from 2012 to 2015 at a CAGR of about 5.1% and 0.7%, respectively.

Estimation of the manufacturing output value and volume of packaging products for watches manufactured in the PRC from 2007 to 2015

The graph below illustrates the estimated value and volume of packaging products manufactured in the PRC for watches:



Source: Ipsos Report

Based on figures from the Ipsos Report, nearly 80% of the global supply of packaging products for watches are manufactured in the PRC.

The total output of the PRC watch packaging manufacturing industry largely mirrored the movements of global demand. Due to the impact of the macroeconomic environment, demand for watch packaging slumped in 2009 but demand had picked up in 2010 and 2011. According to the Ipsos Report, the total value of packaging products manufactured in the PRC for watches dropped from about US\$711 million in 2007 to about US\$574 million in 2009 and subsequently rose to about US\$889 million in 2011, representing a CAGR of about 5.7% from 2007 to 2011. Meanwhile, the output volume declined from about 531 million units in 2007 to about 388 million units in 2009

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and rose to about 509 million units in 2011. It is forecasted that the value and volume of packaging products manufactured in the PRC for watches will grow from about US\$953 million or 505 million units in 2012 to about US\$1,113 million and 516 million units in 2015.

Market trends and developments for the packaging of watches

According to the Ipsos Report, packaging for watches serves multiple functions, which includes protecting watches in transportation and storage, enhancing the attractiveness of watches for promoting retail sales, delivering the watch brand's message to consumers and reflecting the brand's position and product value.

The demand for watch packaging products will continue to grow with the increase in disposable income on these products in the retail market. The capability of watch packaging product design becomes increasingly important to product retailers as it can make them stand out in the market.

In order to improve cost effectiveness, there is a growing trend for internationally recognised brands and watch manufacturers in Europe and North America to source packaging from overseas suppliers, especially from the PRC.

It is expected that the Europe's debt crisis would continue to constrain the demand of middle to high-end watches in retail market such as Japan, the USA and Europe.

There is growing concern on the materials used in watch packaging products that may cause damage to the environment. In response, watch packaging manufacturers tend to use more environmentally friendly materials, such as recycled cardboard, recyclable and biodegradable paper and plastic, to match with the brand owners' and customers' preference.

Competition in supply of packaging products for watches

According to the Ipsos Report, in order to increase their competitiveness in the watch packaging manufacturing market, many leading watch packaging manufacturers are trying to gain their market share with competitive price, higher production capacities and prompt delivery. In particular, there is increasing demand of the distinct innovative design of watch packaging in the retail market.

In the watch packaging market, manufacturers have adopted stringent quality control system where quality assurance inspection is conducted throughout the production process. Sound track record with prompt response to enquiries is also an important factor while serving the international companies, which the long-term players will have an advantage as they maintain an image of stability and trustworthiness among their customers and suppliers. Other competitive factors include providing one-stop service with comprehensive product range and design capability.

The PRC watch packaging manufacturers are facing threats from manufacturers in other Asian countries such as Thailand which can offer similar quality of watch packaging products with lower labour, raw material and land costs as well as lower currency risks. To cope with the competition, watch packaging manufacturers in the PRC are taking measures to manage their costs, including improving productivity through more efficient processes, minimising material wastage, intensifying product design efforts to optimise material costs, offering value-added design and development services and manufacturing solutions.

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Entry barriers for packaging manufacturing for watches

Watch packaging industry has a high entry barrier as the international brands require stringent quality control, sophisticated product development, competitive prices, prompt delivery as well as comprehensive sales services. Competitors often conduct business directly with internationally recognised brands and watch manufacturers. As established packaging suppliers have been maintaining direct business relationship with reputable brands for many years, it creates a barrier to entry for new competitors.

OVERVIEW OF WATCH POINT-OF-SALE DISPLAY UNITS MANUFACTURING IN THE PRC

Market trends and developments for watch point-of-sale display units manufacturing

According to the Ipsos Report, well designed display units can enhance the attractiveness of watches and make them more appealing to consumers. Point-of-sale display units are used as a platform to display watches and can be rearranged to suit the design of the product. They assist with promoting the product and brand. As global consumer products manufacturers are facing severe competition, retailers are keen to look for ways to attract the attention of consumers. Well designed display units can serve this purpose.

The style of watch point-of-sale display units is changing. Popular contemporary designs usually involve the use of acrylic elements in different colours, textures and shapes mixed with other traditional materials, such as wood, metal and fabric, to enhance the contrasts of different colours and textures. Fabric and resin materials are also increasingly introduced for more innovative designs.

As the retail market in Asia is booming, retailers of international brands are expanding into Asia. The Ipsos Report notes that Asia demonstrates the greatest market potential for demand in point-of-sale display units, especially in the PRC with the number new store openings in the PRC alone almost equal to the combined number of new store openings in Europe and the Americas in 2010. In addition, for purposes of network maintenance, existing stores may be relocated or refurbished, new point-of-sales display units are required for their new retail spaces.

Competition in the market is intensive. The leading suppliers are trying to increase their market share by offering higher quality products, relying on their strong reputations, offering competitive prices, providing prompt delivery, utilising their product design and development skills, manufacturing techniques and production capacities.

SOURCES OF INFORMATION

Report commissioned from Ipsos Hong Kong Limited

We commissioned Ipsos Hong Kong Limited, an independent market research company, to conduct an analysis of, and to report on, the market landscape and competitive analysis on manufacturing and sales of packaging products for watches, jewellery and eyewear products and watch point-of-sale display units. The report commissioned has been prepared by Ipsos Hong Kong Limited independently for a fee of HK\$228,000 and we consider that such fee reflects market rates.

INDUSTRY OVERVIEW

The Ipsos Report we commissioned includes information on (i) the overview of consumer products packaging market, (ii) the overview of global watch industry, (iii) the overview of watch packaging manufacturing in the PRC and (iv) the overview of watch point-of-sale display units manufacturing in the PRC, which have been quoted in this prospectus. The independent research undertaken by Ipsos Hong Kong Limited involves desk research and primary research. Desk research involves government and regulatory statistics, trade and business press, company annual reports and publicity materials, industry reports and analyst reports, industry associations, industry journals, other online sources and data from the research database of Ipsos Hong Kong Limited. Primary research involves interviews with key stakeholders and industry experts, including manufacturers of watches, manufacturers of packaging products for watches, jewellery and eyewear, manufacturers of point-of-sale display units, brand owners and other experts. The intelligence gathered by Ipsos Hong Kong Limited has been analysed, assessed and validated using their in-house analysis models and techniques.

The analyses in the Ipsos Report are based on the following general bases and assumptions:

- the exchange rates of US\$ to EUR, RMB and HK\$ used in the Ipsos Report are as follows:—

2007:	US\$1 to EUR1.4648, RMB7.6075, HK\$7.80126
2008:	US\$1 to EUR1.4648, RMB6.9487, HK\$7.78609
2009:	US\$1 to EUR1.3892, RMB6.8314, HK\$7.75109
2010:	US\$1 to EUR1.3244, RMB6.7703, HK\$7.76822
2011:	US\$1 to EUR1.3901, RMB6.4615, HK\$7.78390
2012:	US\$1 to RMB6.2353
2013:	US\$1 to RMB6.1106
2014:	US\$1 to RMB6.0495
2015:	US\$1 to RMB5.9890
- the global supply of materials for packaging is assumed to be stable and without shortage over the forecast period;
- it is assumed that there is no external shock such as natural disasters or the wide outbreak of diseases to affect the global demand and supply of packaging products, watches, jewellery and eyewear;
- one unit of watch packaging product is based on one box/case per watch;
- one unit of eyewear packaging product is based on one box/case per eyewear; and
- one unit of jewellery packaging product is based on one box/pouch per set of jewellery.

No other information disclosed in this prospectus is extracted from reports commissioned by us.

REGULATORY OVERVIEW

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

WHOLLY FOREIGN-OWNED ENTERPRISE

The establishment, operation and management of corporate entities in China is governed by the Company Law of the PRC (中華人民共和國公司法) (the “**PRC Company Law**”), which was promulgated by the Standing Committee of the National People's Congress (全國人民代表大會常務委員會) (the “**Standing Committee**”) on 29 December 1993 and became effective on 1 July 1994. It was subsequently amended on 25 December 1999, 28 August 2004 and 27 October 2005. The PRC Company Law generally governs two types of companies — limited liability companies and joint stock limited companies. Both types of companies have the status of legal persons, and the liability of a company to its debtors is limited to the value of assets owned by the company. Liability of shareholders of a limited liability company and a joint stock limited company is limited to the amount of registered capital they have contributed. The PRC Company Law shall also apply to foreign-invested companies. Where laws on foreign investment have other stipulations, such stipulations shall apply.

The establishment procedures, verification and approval procedures, registered capital requirement, foreign exchange restriction, accounting practices, taxation and labour matters of a wholly foreign-owned enterprise are governed 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 Implementation Regulation under the Wholly Foreign-owned Enterprise Law, which was promulgated on 12 December 1990 and amended on 12 April 2001.

PROCESSING TRADE

According to the Administration of the Examination and Approval of Processing Trade Tentative Procedures (加工貿易審批管理暫行辦法) (promulgated by the Ministry of Foreign Trade and Economic Cooperation (later renamed as “Ministry of Commerce”) on 27 May 1999 and effective as from 1 June 1999), the import and export enterprises, foreign investment enterprises, and export processing and assembling service companies (collectively “**operating enterprises**” and each an “**operating enterprise**”) which have been approved of processing with supplied materials can engage in processing business (including processing of supplied or purchased materials) upon approval of relevant competent authority of foreign trade and economy. Processing trade import merchandise is classified into three categories, namely, the prohibited category, the restricted category and the permitted category, and processing trade business involving imported materials and parts under to the prohibited merchandise category is prohibited. If the import merchandise belongs to the restricted category, the operating enterprise or the processing factory shall pay security deposit to the PRC customs; if the import merchandise belongs to the permitted category, no security deposit is required to be paid to the PRC customs. An operating enterprise must process and export in accordance with Processing Trade Business Approval Certificate (加工貿易業務批准證). If it is necessary to change some of the particulars of the project due to objective factors, the operating enterprise must report to the original examination and approval authority for its approval before the deadline specified in Processing Trade Business Approval Certificate, and go through change-related formalities with the PRC Customs.

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Pursuant to the provisions of the Measures for Regulating Processing Trade Goods by Customs of the PRC (中華人民共和國海關對加工貿易貨物監管辦法) (promulgated by the General Administration of Customs on 26 February 2004 and amended on 1 November 2010), subject to the approval of customs and fulfilment of the required procedures, an operating enterprise may subcontract the processing work of its products to other sub-contractors. Upon completion of the subcontracting processing, the processed products shall be returned to the operating enterprise.

The Regulations of the Export-oriented Processing and Assembly Trade of Guangdong Province (廣東省對外加工裝配業務條例) issued by the Standing Committee of the Guangdong Provincial People's Congress on 14 May 1993, and amended on 29 July 2004 and 28 November 2008, makes it clear that export-oriented processing and assembly companies may enter into contracts with foreign investors to coordinate and arrange the processing factory to manufacture products as agreed.

As advised by our PRC legal advisers, although the People's Government of Shenzhen Municipality promulgated a policy in October 2011 to promote and encourage the transformation of contract processing enterprises in Shenzhen into foreign owned enterprises, the People's Government of Shenzhen Municipality does not impose any mandatory obligations for the transformation of all of the contract processing enterprises into foreign owned enterprises within a specified time. Therefore, although the aforesaid policy applies to Guanlan Processing Factory, our Group is at liberty to continue our manufacturing operation through the existing processing arrangements. Up to the Latest Practicable Date, our Group has not been ordered or requested by the PRC government to terminate the processing arrangements with the PRC Processing Factories under the PRC Processing Agreements and to continue such manufacturing operations in a foreign owned enterprise established or to be established by our Group.

Even if our Group is required to terminate the existing processing arrangements under the PRC Processing Agreements and to continue our manufacturing operations in a foreign owned enterprise of our Group, it is expected that our Group will be able to continue our manufacturing operation at the existing production facilities of the PRC Processing Factories given that the relevant factory premises are either owned or leased by us, and the production equipment and machinery thereat are owned by us. We do not expect any material change to the mode of our manufacturing operation, as we will continue to import our production materials needed for processing at our production facilities in the PRC, and export the finished products outside the PRC for sales.

For the possible impact on the application of the concession of the IRD under DIPN 21 in the event that the PRC Processing Factories are transformed into foreign owned enterprises, please refer to the section headed "Risk factors — Risks relating to our Group — A significant portion of our income previously deemed non-taxable for Hong Kong profits tax may become taxable if there are changes to the relevant Hong Kong tax law and its interpretations or the mode of our PRC manufacturing operations" for further information.

PRC ENVIRONMENTAL PROTECTION LAWS

The main PRC environmental protection laws and regulations include: the Environmental Protection Law of the PRC (中華人民共和國環境保護法), 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), Law of the PRC on the Prevention and Control of Atmospheric Pollution (中華人民共和國大氣污染防治法), Law of the PRC on the Prevention and Control of Pollution From Environmental Noise (中華人民共和國環境噪音污染

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防治法), Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste (中華人民共和國固體廢物污染環境防治法), Law of the PRC on Appraising of Environment Impacts (中華人民共和國環境影響評價法), Regulations on the Administration of Construction Project Environmental Protection (建設項目環境保護管理條例) and Administrative Measures on Environmental Protection Inspection Acceptance for Completion of Construction Projects (建設項目竣工環境保護驗收管理辦法). These laws and regulations govern a broad range of environmental matters, including air pollution, noise emissions and water and waste discharge.

Pursuant to The Environmental Protection Law of the PRC (the “**Environmental Protection Law**”) (中華人民共和國環境保護法) effective as of 26 December 1989, the Administration Supervisory Department of Environmental Protection of the State Council (“**ASDEP**”) shall establish national standards for environmental quality control. The governments of provinces, autonomous regions and municipalities directly under the Central Government may establish their own local standards for environmental quality control for the items not specified in the national standards and shall report them to the ASDEP for its record.

The Environmental Protection Law requires all enterprises and institutions that cause environmental pollution and other public hazards to incorporate and implement environmental protection policies into their plans and establish a responsibility system for environmental protection. These enterprises and institutions shall adopt effective measures to prevent and control the pollution and damage to the environment from waste gas, waste water, waste residues, dust, malodorous gases, radioactive substances, noise, vibration and electromagnetic radiation generated in the course of production, construction or other activities.

Installations for the prevention and control of pollution in a construction project shall be designed, built and commissioned together with the principal part of the project. No permission shall be given for a construction project to be commissioned, until its installations for the prevention and control of pollution are examined and assessed to be up to the standard by the competent department of environmental protection administration which examines and approves the environmental impact statement.

New construction projects, expansion, reconstruction projects and other installations on water which directly or indirectly discharge pollutants into the water body shall be subject to appraising of environmental impacts according to 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) amended on 28 February 2008 and came into effect on 1 June 2008 and the Implementation Rules of 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實施細則) effective as at 20 March 2000. Enterprises and institutions that discharge pollutants directly or indirectly into a water body shall report to and register with the local environmental protection department at or above the county level their existing facilities for discharging and treating water pollutants, and the categories, quantities and concentrations of water pollutants discharged under their normal operation conditions, and also submit technical information concerning prevention and control of water pollution to such department.

Enterprises and institutions that discharge pollutants directly into a water body shall pay a pollutant discharge fee counted on the basis of categories, quantities and collection standards of the water pollutants discharged.

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New construction projects, expansion, or reconstruction projects that discharge pollutants into the air shall be subject to state regulations on environmental protection of construction projects under 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) amended on 29 April 2000 and effective as of 1 September 2000. Enterprises and institutions that discharge atmospheric pollutants shall report their existing discharge and treatment facilities for pollutants and the categories, quantities and concentrations of pollutants discharged under normal operation conditions to the local environmental protection department, and also submit technical information concerning prevention and control of atmospheric pollution to such department.

The PRC government implements a system of collecting fees for discharging pollutants on the basis of the categories and quantities of the atmospheric pollutants discharged, and establishes reasonable standards for collecting the fees hereinbefore according to the needs of strengthening prevention and control of atmospheric pollution and the State's economic and technological conditions.

According to the Law of the PRC on Prevention and Control of Environmental Pollution by Noise (中華人民共和國環境噪聲污染防治法) effective as of 1 March 1997, new construction project, expansion, or reconstruction project shall be subject to the state regulations on environmental protection of construction projects. If noise pollutions are generated due to the use of fixed facilities during industrial production, the industrial enterprise shall report to the competent local administrative department of environmental protection at or above the county level about the categories and quantities of noise discharging facilities, the noise volume of noise discharged under normal operation conditions and the conditions of the facilities that prevent and control noise pollution. Meanwhile, the enterprise shall submit to the same department their technical information concerning prevention and control of noise pollution. Industrial enterprises which discharge noise shall take treatment measures and pay a fee for excess discharge according to State regulations.

As of 1 April 2005, producers, distributors, importers and users of a product shall be responsible for the prevention and control of the solid wastes it generates or discharges under the Law of the PRC on Prevention and Control of Environmental Pollution by Solid Waste (中華人民共和國固體廢物污染環境防治法) amended on 29 December 2004 and effective as of 1 April 2005.

According to the Law of the PRC on Appraising of Environment Impacts (中華人民共和國環境影響評價法) effective as of 1 September 2003, the construction entities shall work out the report of environmental impacts, the report form of environmental impacts or the registration form of environmental impacts (hereafter “**environmental impact appraisal documents**”) according to the following principles: (i) If the environmental impacts may be significant, it shall work out a report of environmental impacts so as to include an all-round appraisal of the environmental impacts; (ii) If the environment impacts may be gentle, it shall work out a report form of environmental impacts so as to include an analysis or special appraisal of the environmental impacts; (iii) If environment impacts may be very small so that it is not necessary to conduct an appraisal of the environmental impacts, it shall fill in a registration form of the environmental impacts. The environmental impact appraisal documents of a construction project shall be submitted by the construction entity according to the relevant provisions of the State Council to the competent administrative department in charge of environmental protection for examination and approval. In case the environmental impact appraisal document of a construction project fails to pass the examination of the statutorily prescribed examination and approval department or fails to be approved after examination, the examination and approval department of the project may not approve the construction thereof, and the construction entity may not start construction.

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According to Regulations on the Administration of Construction Project Environmental Protection (建設項目環境保護管理條例) promulgated by the State Council on and effective as of 29 November 1998, these Regulations shall be applicable to building of construction projects having impacts on the environment within the territory of the PRC and other territorial sea areas under the jurisdiction of the PRC. Industrial construction projects should adopt clean production techniques with low energy consumption, low materials consumption and low pollutants generation; rationally exploit natural resources to prevent environmental pollution and ecological damage. Measures must be taken in reconstruction, expansion projects and technological transformation projects to treat original environmental pollution and ecological damage related to the said projects.

According to the Regulations on the Administration of Construction Project Environmental Protection (建設項目環境保護管理條例) and the Administrative Measures on Environmental Protection Inspection Acceptance for Completion of Construction Projects (建設項目竣工環境保護驗收管理辦法) which was promulgated by the Ministry of Environmental Protection of the PRC, became effective on 1 February 2002 and was amended on 22 December 2010, inspection acceptance for completion of construction of environmental protection facilities should be conducted simultaneously with that for completion of construction of the main part of construction project. Where there is trial production of the construction project, the construction entity shall, within 3 months starting from the date of the construction project going into trial production, apply for environmental protection inspection acceptance for completion of construction project to the competent environmental protection administration authority.

PRC LABOUR LAWS

Effective as of 1 January 2008, labour contracts shall be concluded in writing if labour relationships are to be or have been established between enterprises or institutions and the labourers under the Labour Contract Law of the PRC (the “**Labour Contract Law**”) (中華人民共和國勞動合同法). Enterprises and institutions are forbidden to force the labourers to work beyond the time limit and employers shall pay labourers for overtime work in accordance with national regulations. In addition, the labour wages shall not be lower than local standards on minimum wages and shall be paid to the labourers timely.

According to the Labour Law of the PRC (中華人民共和國勞動法) promulgated on 5 July 1994 and effective as of 1 January 1995, enterprises and institutions shall establish and perfect their system of work place safety and sanitation, strictly abide by State rules and standards on work place safety, educate labourers in labour safety and sanitation in the PRC. Labour safety and sanitation facilities shall comply with State-fixed standards. The enterprises and institutions shall provide labourers with work place safety and sanitation conditions which are in compliance with State stipulations and relevant articles of labour protection.

PRODUCTION SAFETY

According to the Production Safety Law of the PRC (中華人民共和國安全生產法) promulgated on 29 June 2002 and effective as of 1 November 2002, as amended on 27 August 2009, the production and business operation entities shall be equipped with the conditions for safe production as provided therein and other relevant laws, administrative regulations, national standards and industrial standards. Any entity that is not equipped with the conditions for safe production may not engage in production and business operation activities. The production and business operation entities shall provide labour protection articles that meet the national standards or industrial standards

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to the employees thereof, supervise and educate them to wear or use these articles according to the prescribed rules. The production and business operation entities shall arrange funds buying labour protection articles and holding trainings in production safety.

SOCIAL INSURANCE REGULATIONS

Pursuant to the Interim Regulations Concerning the Levy of Social Insurance Fees (社會保險費征繳暫行條例) promulgated and implemented on 22 January 1999 by the State Council, the Interim Measures Concerning the Maternity Insurance of Enterprise Employees (企業職工生育保險試行辦法) promulgated on 14 December 1994 and implemented on 1 January 1995 by former Ministry of Labour, the Regulation Concerning the Administration of Housing Fund (住房公積金管理條例) promulgated and implemented on 3 April 1999 and amended on 24 March 2002 by the State Council, the Regulation on Occupational Injury Insurance (工傷保險條例) promulgated on 27 April 2003 by the State Council and implemented on 1 January 2004 and amended on 20 December 2010, the employer shall pay pension insurance fund, basic medical insurance fund, unemployment insurance fund, occupational insurance fund, maternity insurance fund and housing provident fund for the employees.

Pursuant to the Social Insurance Law of the PRC (中華人民共和國社會保險法) promulgated by the Standing Committee on 28 October 2010 which became effective on 1 July 2011, the State establishes social insurance systems such as basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance so as to protect the right of citizens in receiving material assistance from the State and the society in accordance with the law when getting old, sick, injured at work, unemployed and giving birth. Employers are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, work-related injury insurance and maternity insurance. If an employing entity does not pay the full amount of social insurance premiums as scheduled, the social insurance premium collection institution shall order it to make the payment or make up the difference within the stipulated period and impose a daily surcharge equivalent to 0.05% of the overdue payment from the date on which the payment is overdue. If payment is not made within the stipulated period, the relevant administration department shall impose a fine from one to three times the amount of overdue payment.

PRC INCOME TAX LAW

According to the Enterprise Income Tax (“EIT”) Law of the PRC (中華人民共和國企業所得稅法) enacted on 16 March 2007 and the Implementation Regulations of Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例) enacted on 6 December 2007 (collectively the “Income Tax Law”), which both took effect on 1 January 2008, the EIT for both domestic and foreign-invested enterprises are unified at 25%. For those enterprises established before 16 March 2007 and entitled to preferential income tax treatments by tax related laws and administrative regulations, the Income Tax Law provides for a five-year transitional period, during which the applicable EIT rate shall be converted to the unified rate at 25% gradually.

According to the Notice of the State Council on the Implementation of the Enterprise Income Tax Transitional Preferential Policy (國務院關於實施企業所得稅過渡優惠政策的通知) issued on 26 December 2007 and took effect on 1 January 2008, enterprises that enjoy “2-year exemption and 3-year half payment”, “5-year exemption and 5-year half payment” of the enterprise income tax and other preferential treatments in the form of periodic tax deductions and exemptions in the

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past may, after the Income Tax Law took effect on 1 January 2008, continue to enjoy the relevant preferential treatments under the preferential measures and the time period set out in the previous tax law, administrative regulations and relevant documents until the expiration of the said time period. However, the preferential time period applicable to an enterprise shall start to run from 2008 if such enterprise has not enjoyed the preferential treatments yet because of its failure to make profits. In addition, enterprises which were entitled to a preferential income tax at the rate of 15% will gradually be levied on the unified 25% tax within five years commencing on 1 January 2008. The transitional tax rates applied to the enterprises entitled to the 15% preferential rate are 18% for 2008, 20% for 2009, 22% for 2010, 24% for 2011 and 25% for 2012. Enterprises which previously enjoyed the 24% preferential tax rate are imposed with the unified 25% tax rate from 1 January 2008.

According to the Income Tax Law, income such as dividends, rental, interest and royalty from the PRC derived by a non-resident enterprise which has no establishment in the PRC or has establishment but the income has no relationship with such establishment is subject to a 10% withholding tax, which may be reduced if the foreign jurisdiction of incorporation has a tax treaty with the PRC that provides for a different withholding arrangement, unless the relevant income is specifically exempted from tax under the applicable income tax laws, regulations, notices and decisions which relate to foreign invested enterprises and their investors.

According to the Arrangement between the Mainland and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) effective on 1 January 2007, the withholding tax rate for dividends paid by a PRC resident enterprise to a Hong Kong resident enterprise is 5%, if the Hong Kong enterprise owns at least 25% of the PRC enterprise. According to the Notice of the State Administration of Taxation on issues relating to the administration of the dividend provision in tax treaties promulgated on 20 February 2009 (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), the corporate recipients of dividends distributed by Chinese enterprises must satisfy the direct ownership thresholds at all times during the 12 consecutive months preceding the receipt of the dividends.

REGULATIONS RELATING TO FOREIGN CURRENCY EXCHANGE

Under the Foreign Currency Administration Rules (中華人民共和國外匯管理條例) promulgated by the State Council in 1996 and amended in 1997 and 2008 and various regulations issued by SAFE and other relevant PRC government authorities, Renminbi is convertible into other currencies for the purpose of current account items, such as trade related receipts and payments, interest and dividend. The conversion of Renminbi into other currencies and remittance of the converted foreign currency outside China for the purpose of capital account items, such as direct equity investments, loans and repatriation of investment requires prior approval from SAFE or its local office. Payments for transactions that take place within the PRC may retain foreign exchange in accounts with designated foreign exchange banks subject to a cap set by SAFE or its local office. Unless otherwise approved, domestic enterprises must convert all of their foreign currency proceeds into Renminbi.

Saved as disclosed above and in this section, our business and operations in the PRC are not subject to any special legislation or regulatory controls other than those generally applicable to companies and businesses operating in the PRC.

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REGULATIONS RELATING TO FINANCING AND RETURN INVESTMENT VIA OVERSEAS SPECIAL PURPOSE COMPANIES

Pursuant to the Notice on Relevant Issues concerning Foreign Exchange Administration for Domestic Individuals to Engage in Financing and in Return Investment via Overseas Special Purpose Companies (關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) (“SAFE Circular 75”) enacted by SAFE on 21 October 2005 and becoming effective on 1 November, 2005, a PRC domestic resident engaging in equity financing outside the PRC with the assets or interests within the PRC via overseas special purpose vehicle shall apply for foreign exchange registration of overseas investments.

As advised by our PRC legal advisers, as among the direct and indirect shareholders of our Company after completion of the Reorganisation and prior to the Share Offer (but excluding any CC Land Shareholders who acquired their indirect interests in our Company through their holding of CC Land Shares which were acquired on or after the initial public offering of CC Land), there is no PRC domestic resident holding any interests in our Company, SAFE Circular 75 does not apply to the Share Offer or the Listing.

REGULATIONS RELATING TO MERGER AND ACQUISITIONS

On 8 August 2006, six PRC regulatory agencies, including the PRC Ministry of Commerce (中華人民共和國商務部, the “MOFCOM”), jointly promulgated the Rules on the Acquisition of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定) for implementation as from 9 September 2006, which was further amended by MOFCOM on 22 June 2009 (the “M&A Rules”). The M&A Rules requires, inter alia, that an offshore special purpose vehicle controlled directly or indirectly by PRC companies or individuals for overseas listing purposes with PRC domestic equity interests shall obtain the approval of the MOFCOM and the China Securities Regulatory Commission (中國證券監督管理委員會) prior to the listing and trading of the securities of such offshore special purpose vehicle on an overseas stock exchange.

As advised by our PRC legal advisers, the M&A Rules do not apply to the Share Offer or the Listing because Qualipak Zhongshan (the only member in our Group which is established in the PRC) has been a foreign owned enterprise since its establishment.

REGULATIONS RELATING TO ANTI-DUMPING MEASURES IN THE US AND EU

The US anti-dumping law seeks to protect the US domestic manufacturers from unfair import practices. Anti-dumping duties may be imposed on goods from a particular country or countries if it is found by the US Department of Commerce that the relevant goods imported are being sold in the US at less than fair prices and determined by the US International Trade Commission that the import of the goods are causing or threatening “material injury” to the US domestic manufacturers of the like products. If any US domestic manufacturers believe that they are being injured by a dumping, they may file a petition requesting that anti-dumping duties be imposed on goods imported from the relevant country.

REGULATORY OVERVIEW

In Europe, the European Commission is responsible for investigating allegations of dumping by producers in other countries outside the EU. It may either open an investigation following a complaint from the EU producers of the product concerned or on its own initiative. Our Directors understand that the European Commission in general considers a dumping occurs if a company is exporting a product to the EU at prices lower than its normal value on the company's own domestic market. If an investigation finds that there is a dumping, then anti-dumping measures can be imposed on imports of the product concerned, including the imposition of an ad valorem duty, specific duties or price undertakings.

As we sell our products to our customers primarily on free-on-board (at Hong Kong ports) terms, our customers are responsible for the customs entries of our products to overseas countries (including the US and EU) and for ensuring that our products meet the relevant overseas laws and regulations (including import duties and anti-dumping regulations). To the best of our Directors' knowledge and belief, as at the Latest Practicable Date, they were not aware of any anti-dumping duties or measures being imposed on our products imported to the US or EU, nor were they aware of any of our products being subject to any anti-dumping investigations during the Track Record Period. However, there is no assurance that sales of our products to the US or EU will not be subject to any anti-dumping investigations by the relevant government authorities or that any anti-dumping duties or measures will not be imposed on the sales of our products to the US or EU. If any of our products are subject to any anti-dumping allegation or investigation in the US or EU, sales of our products to the relevant countries may be adversely affected if such sales are found to be a dumping and anti-dumping duties and/or measures are thereby imposed. Imposition of anti-dumping duties or measures on the importation of our products could adversely affect the sales of our products to such countries, and our business, financial condition and results of operation may thereby be adversely affected.

OVERSEAS REGULATIONS

During the Track Record Period, we did not sell our packaging products directly to overseas retail consumers but instead engaged in the OEM manufacturing and sourcing of packaging products for our customers and delivered our packaging products to our customers primarily on free-on-board (at Hong Kong ports) terms in accordance with our customers' specifications for shipment worldwide. Accordingly, our customers were responsible for the customs entries of our packaging products to overseas countries and for ensuring the products which were manufactured or sourced by us in accordance with our customers' specifications meet the relevant overseas laws and regulations (including import duties and anti-dumping regulations.). As to product quality and safety, certain customers require to enter into manufacturer's agreement with us stipulating the requirements and specifications that our customers require our products to comply with. In order to ensure that our products meet our customers' stringent requirements on product quality and safety, we maintain quality control procedures for production materials and components and sub-contracted out works, and devise and supervise the implementation of a three-step quality control system at the PRC Processing Factories with quality controls at the design and prototyping stage, the production stage and the delivery stage as set out in the paragraph headed "Quality control and assurance" in the section headed "Business" of this prospectus. Accordingly, our Directors consider that our Group is not exposed to material liabilities as a result of any such overseas laws and regulations. In addition, during the Track Record Period, we conducted our operations of our business in Hong Kong and the PRC and our Directors are not aware of any regulations that are applicable to our business in countries outside of these jurisdictions.

HISTORY, DEVELOPMENT AND CORPORATE REORGANISATION

INTRODUCTION

Our Company was incorporated in Bermuda on 24 October 2011 as an exempted company under the Companies Act in anticipation of the listing on the Main Board of the Stock Exchange. Immediately following our incorporation, our Company was 100% beneficially owned by CC Land. As part of the Reorganisation, our Company is the holding company of our Group. Further details of our corporate structure and the Reorganisation are set out in the paragraph headed “Our Reorganisation” below.

OUR BUSINESS HISTORY

Commencement of our business

Our Group’s business started in 1989 when Dr. Lam and Ms. Chong, together with other founders introduced by Ms. Chong, incorporated Qualipak Manufacturing, the intermediary holding company of our packaging business, in Hong Kong. Our Group initially engaged in the packaging business, with a primary focus on the manufacturing and sale of plastic-based and paper-based watch boxes and jewellery boxes. Our products were then manufactured by processing factories with the then production facilities situated at Guanlan, Shenzhen, the PRC through processing arrangements.

Through our continuous effort, our Group has a diversified customer base and had a total of about 730 customers during the Track Record Period. Our customers include owners or carriers of internationally renowned brands for watches, jewellery and eyewear products and other customers such as traders of packaging products. We have long business relationship with our customers, some of which we have been collaborating with for over 15 years. On average, we have over 10 years of business relationship with our top ten customers for the year ended 31 December 2011. We believe that our product design and development capabilities, comprehensive product range and model portfolio, quality management system and on-time delivery contribute to our ability to maintain our relationship with our customers and cater for our customers’ demands with flexibility, competitive pricing and reliable quality standard. Please refer to the section headed “Business” in this prospectus for further information on our business.

The following sets forth important milestones of our business developments and achievements:

Business milestones

Year	Business development
January 1989	<ul style="list-style-type: none">• Qualipak Manufacturing was incorporated as the intermediary holding company of our packaging business
early 1990s	<ul style="list-style-type: none">• We sold our packaging products mainly to owners or carriers of internationally renowned brands for watches and jewellery in the US, Switzerland and Hong Kong

HISTORY, DEVELOPMENT AND CORPORATE REORGANISATION

Year	Business development
1995	<ul style="list-style-type: none">• We expanded our product range with the introduction of metal boxes for eyewear products. We acquired three workshops located at Tsuen Wan, Hong Kong as our warehouse and distribution centre, in order to support our then expanding business
1997	<ul style="list-style-type: none">• We were assigned the land use right of a piece of land situated at Sanjiao Town, Zhongshan, Guangdong Province, the PRC with a site area of about 80,000 sq.m. for the development of our production facilities
2001	<ul style="list-style-type: none">• We entered into the Zhongshan Processing Agreement and commenced production of our packaging products at Sanjiao Town, Zhongshan, Guangdong Province, the PRC through the Zhongshan Processing Factory. As a result, our Group's production facilities situated thereat, with a total gross floor area of about 59,015.88 sq.m., have been provided to the Zhongshan Processing Factory for production purposes• We terminated some of our then processing arrangements in Guanlan, Shenzhen, PRC in order to centralise the manufacturing operations in Zhongshan, Guangdong Province, the PRC• Since then, all of our packaging products are manufactured by the Zhongshan Processing Factory and Guanlan Processing Factory under the Zhongshan Processing Agreement and Guanlan Processing Agreement, respectively
June 2005	<ul style="list-style-type: none">• We invested in the business of design, trading and marketing of knives, wine openers and kitchenware by acquiring 30% of the issued share capital in Technical International from Technical Group Holdings Limited, in order to further diversify our Group's business, product offering and revenue base. Since then, Technical International, together with its subsidiaries, have become associated companies of our Group
April 2007	<ul style="list-style-type: none">• We acquired 51% of the issued share capital in Theme Production from Yee Chan Chian, in order to diversify our Group's business in the trading of display units for watches, jewellery, eyewear and other products for display and presentation of these products for retail sales. Since then, Theme Production has become a subsidiary of our Group

HISTORY, DEVELOPMENT AND CORPORATE REORGANISATION

CC LAND

Our Group had been operating under CC Land during the Track Record Period and prior to the Spin-off.

CC Land, the shares of which are listed on the Main Board since 30 April 1999, is principally engaged in the development and investment of properties located in the PRC and treasury investment. In addition, CC Land is and will, until the completion of the Spin-off, be engaged in the business of manufacture and sale of packaging products through our Group.

CC Land, formerly known as Qualipak International Holdings Limited prior to January 2007, commenced its property development business following the completion of an acquisition agreement dated 22 September 2006 whereby CC Land acquired from a company wholly owned by Mr. Cheung the entire equity interest in a PRC property development company at a consideration of about HK\$3,300,000,000, which was determined with reference to the unaudited combined net tangible assets of the acquired company and the net carrying amount of the properties and buildings of the PRC company, following arm's length negotiations. The PRC company is a wholly foreign owned enterprise established in Chongqing, the PRC in 1992 by Mr. Cheung for carrying out, inter alia, property development business, with a total investment amount of US\$93,000,000 and paid-up registered capital of US\$31,000,000. The PRC company was then one of the largest property developers in Chongqing, the PRC. On 10 January 2007, CC Land changed its name to its present name "C C Land Holdings Limited" to reflect the change in its principal activities to include property development and investment in the PRC. CC Land has strived to restructure its business portfolio to focus primarily on development and investment of properties located in the PRC. In contemplation of the Share Offer, the CC Land Group and our Group have undergone certain reorganisation steps from October 2011, which includes the incorporation of our Company. Particulars of these reorganisation steps are set forth in the paragraph headed "Our Reorganisation" below.

SHAREHOLDING HISTORY OF OUR MAJOR SUBSIDIARIES BEFORE THE REORGANISATION

Our Company's major subsidiaries include the following investment holding companies and operating subsidiaries:

Qualipak Manufacturing

Qualipak Manufacturing is a company incorporated on 24 January 1989 in Hong Kong with limited liability. Qualipak Manufacturing was established by 7 founders including (i) Smart Wit Limited, a company incorporated in Hong Kong and was owned as to 75% by Dr. Lam and 25% by Ms. Chong, which then held 57% equity interest in Qualipak Manufacturing; (ii) CNC Corporation, a company incorporated in Liberia and was owned by Chong Hok Shan, brother of Ms. Chong, which then held 28% equity interest in Qualipak Manufacturing; (iii) Wong Kam Shing, the then Managing Director of Kowloon Watch Company and an Independent Third Party at the material times, who then held 5% equity interest in Qualipak Manufacturing; (iv) Siu Fook Choi, who then held 4% equity interest in Qualipak Manufacturing; (v) Hui Chi Cheong, who then held 2% equity interest in Qualipak Manufacturing; (vi) Lai Kwok Hung, who then held 2% equity interest in Qualipak Manufacturing; and (vii) Lau Kin On, who then held 2% equity interest in Qualipak Manufacturing. Siu Fook Choi, Hui Chi Cheong, Lai Kwok Hung and Lau Kiu On were then operating a plastic packaging factory in Hong Kong and acquainted with Ms. Chong.

HISTORY, DEVELOPMENT AND CORPORATE REORGANISATION

In July 1994, Dr. Lam and all other founders of Qualipak Manufacturing agreed to dispose of all their shareholdings of 10,000 shares in Qualipak Manufacturing to Chuang Hing Limited (“**Chuang Hing**”), an Independent Third Party at the material times, which was wholly owned by China United Holdings Limited (“**China United**”), at a consideration of HK\$10,000,000 determined after arm’s length negotiations. China United is a company incorporated in Bermuda with limited liability and presently known as Willie International Holdings Limited, the shares of which were then listed on the Stock Exchange (Stock Code: 273). In December 1994, Qualipak Manufacturing allotted 17,362,400 shares to Chuang Hing after capitalisation of a shareholder’s loan of HK\$17,362,400 provided by Chuang Hing. Together with the 10,000 shares acquired from the founders, Chuang Hing was beneficially holding 17,372,400 shares of Qualipak Manufacturing, representing the entire issued share capital of Qualipak Manufacturing at that time.

Later in February 1996, Chuang Hing transferred its (i) 347,448 shares in Qualipak Manufacturing to Siu Fook Choi, currently the production manager of our Group, at a consideration of HK\$3,000,000; (ii) 173,724 shares in Qualipak Manufacturing to Hui Chi Cheong, currently the factory manager of our Group, at a consideration of HK\$1,500,000; (iii) 173,724 shares in Qualipak Manufacturing to Lai Kwok Hung, currently the operation manager of our Group, at a consideration of HK\$1,500,000; and (iv) 173,724 shares in Qualipak Manufacturing to Lau Kin On, currently the operation manager of our Group, at a consideration of HK\$1,500,000. To further promote our Group’s public image and standing for its business development, The China Investment & Development Fund (No. 12) Limited (“**CIDF**”), being a wholly-owned subsidiary of an investment fund registered in Guernsey, the Channel Islands and listed on the London Stock Exchange and an Independent Third Party at the material times, was introduced as institutional strategic investor which in July 1996 subscribed 666,632 shares from Qualipak Manufacturing at a consideration of US\$650,000 and in August 1996 acquired from Chuang Hing 5,999,512 shares in Qualipak Manufacturing at a consideration of US\$5,850,000. Immediately after such subscription and transfer, CIDF and Chuang Hing held 6,666,144 shares and 10,504,268 shares (of which 1 share was held on trust for Chuang Hing by Righteam Limited) respectively in Qualipak Manufacturing representing approximately 36.95% and 58.23% of its then enlarged issued share capital.

In March 1997, to raise further fund for expansion of our Group’s then packaging business, Qualipak Manufacturing issued 4,264,825 new shares amounting to about 19.1% of its then enlarged issued share capital to Orient Sheen Investment Limited (“**Orient Sheen**”), an independent private investor and an Independent Third Party at the material times, at a consideration of HK\$42,000,000, which was determined following arm’s length negotiations. Part of the consideration for the share subscription was settled by Orient Sheen by transferring to our Group a piece of land at Sanjiao Town, Zhongshan, the PRC valued at HK\$18,000,000 where the Zhongshan Processing Factory is situated. Balance of the consideration was settled in cash.

On 28 October 1997, as part of a corporate reorganisation in preparation for the listing of CC Land (known as Qualipak International Holdings Limited at that time) on the Main Board of the Stock Exchange, Chuang Hing acquired a company incorporated in BVI with limited liability as investment holding company of CC Land Group and in May 1998 changed the name of such company to “Qualipak Development Limited”.

On 2 June 1998, CC Land was established and 1,000,000 shares were allotted nil paid to Chuang Hing on 3 June 1998. Pursuant to a subscription agreement dated 9 April 1999 (“**Subscription Agreement**”) between all the then shareholders of Qualipak Manufacturing and Qualipak Development, in consideration of (i) converting all 22,303,857 ordinary shares held by the then shareholders of Qualipak Manufacturing to non-voting deferred shares; and (ii) the allotment and issue of 99 shares of Qualipak Manufacturing to Qualipak Development and 1 share to Bolmen

HISTORY, DEVELOPMENT AND CORPORATE REORGANISATION

Limited (held on trust for Qualipak Development), Qualipak Development allotted a total of 9,999 new shares comprising (i) 4,708 shares to Chuang Hing; (ii) 2,989 shares to CIDF; (iii) 1,912 shares to Orient Sheen; (iv) 156 shares to Siu Fook Choi; (v) 78 shares to each of Hui Chi Cheong, Lai Kwok Hung and Lau Kin On.

On 9 April 1999, pursuant to a share swap arrangement between CC Land and Qualipak Development, CC Land acquired the entire 10,000 shares of Qualipak Development in consideration of CC Land allotting 11,000,000 shares comprising (i) 4,650,800 shares to Chuang Hing; (ii) 3,586,800 shares to CIDF; (iii) 2,294,400 shares to Orient Sheen; (iv) 187,200 shares to Siu Fook Choi; (v) 93,600 shares to each of Hui Chi Cheong, Lai Kwok Hung and Lau Kin On. Accordingly, Qualipak Manufacturing became wholly-owned by Qualipak Development which was in turn wholly-owned by CC Land.

On 22 April 1999, Chuang Hing placed 4,800,000 shares of CC Land for HK\$1.08 per share and CIDF offered to sell 3,200,000 shares of CC Land for HK\$1.08 per share. CC Land allotted 33,872,000 new shares at HK\$1.08 per share. After the capitalisation of the share premium from such allotment, CC Land issued an aggregate of 108,000,000 bonus shares to its then shareholders comprising (i) 50,857,200 shares to Chuang Hing; (ii) 32,281,200 shares to CIDF; (iii) 20,649,600 shares to Orient Sheen; (iv) 1,684,800 shares to Siu Fook Choi; and (v) 842,400 shares to each of Hui Chi Cheong, Lai Kwok Hung and Lau Kin On. After completion of the above, Chuang Hing held 51,708,000 shares of CC Land. On 30 April 1999, the shares of CC Land were listed on the Main Board of the Stock Exchange. On 23 September 1999, 51,000,000 shares of CC Land held by Chuang Hing were disposed of on market and Chuang Hing ceased to have any substantial interest in CC Land.

On 11 April 2000, Qualipak Development, having exercised the options granted under the Subscription Agreement, acquired a total of 22,303,857 non-voting deferred shares of Qualipak Manufacturing from Chuang Hing, CIDF, Orient Sheen, Lai Kwok Hung, Lau Kin On, Hui Chi Cheong and Siu Fook Choi at a total consideration of HK\$7. As a result, Qualipak Development held 22,303,857 non-voting deferred shares together with 99 ordinary shares of Qualipak Manufacturing in its own name and 1 ordinary share of Qualipak Manufacturing through Qualipak Nominees Limited transferred from Bolmen Limited on 13 March 2000 (as trustee for Qualipak Development). Since then, the shareholdings of Qualipak Manufacturing have remained unchanged.

Qualipak Manufacturing is principally engaged in the OEM manufacturing and sourcing of packaging products. It is an indirect wholly-owned subsidiary of our Company.

Qualipak Development

Qualipak Development is a company incorporated on 23 September 1997 in the BVI with limited liability, and was acquired by Chuang Hing on 28 October 1997 for investment holding purposes. Pursuant to the share swap arrangements as part of the corporate reorganisation in preparation for the listing of CC Land, on 9 April 1999, Qualipak Manufacturing became wholly-owned by Qualipak Development, which in turn became wholly-owned by CC Land.

Qualipak Development is principally engaged in investment holding. It is a direct wholly-owned subsidiary of the Company.

Onestep Enterprises

Onestep Enterprises is a company incorporated on 28 April 2005 in the BVI with limited liability, and was acquired by Qualipak Development on 25 May 2005, for investment holding purpose.

HISTORY, DEVELOPMENT AND CORPORATE REORGANISATION

By an agreement dated 3 June 2005, Onestep Enterprises acquired from Technical Group Holdings Limited, then an Independent Third Party and owned as to 90% by Brian Sun and 10% by Chan Pui Ling Stella, both Independent Third Parties, 30% of the issued share capital of Technical International at a consideration of HK\$33,000,000 which was arrived at after arm's length negotiation by reference to the audited consolidated net profits derived from Technical International and its subsidiaries ("**Technical Group**").

For each of the years ended 31 December 2009, 2010 and 2011, the net losses of Onestep Enterprises amounted to HK\$15,000, HK\$5,000 and HK\$5,000, respectively according to its management accounts.

Technical Group is principally engaged in the design and trading of wine openers, knives and kitchenware and Onestep Enterprises is the investment holding vehicle of Technical Group.

Our Directors believe that the Technical Group is a successful entity with strong design and development teams in innovative design of products and for market exploration. As such, in line with our Group's strategy to enhance our product design and development capability and expanding our customer base, our Directors consider that the inclusion of the Technical Group, which is principally engaged in kitchenware business, is aligned with our Group's design enhancement strategy and expansion and presents an opportunity for our Group to strengthen our design capability and to gain access to the trading operations of kitchenware business as complementary business line.

Big Focus

Big Focus is a company incorporated on 13 November 2006 in the BVI with limited liability. As at the date of incorporation, the authorised share capital of Big Focus was US\$50,000 divided into 50,000 shares of US\$1.00 each, of which one share was allotted and issued to Qualipak Manufacturing on 1 December 2006. After the said allotment, the issued share of Big Focus is legally and beneficially owned by Qualipak Manufacturing.

Big Focus is principally engaged in holding investment in Theme Production, which in turn is engaged in the trading of acrylic products and display units. Big Focus is an indirect wholly-owned subsidiary of our Company.

Theme Production

Theme Production is a company incorporated on 10 September 2001 in Hong Kong with limited liability. On 4 April 2007, Big Focus acquired from Yee Chan Chian, a then shareholder of Theme Production, 510,000 shares of Theme Production, representing 51% of its entire issued share capital, at a consideration of HK\$10,000,000 which was determined after arm's length negotiation. Theme Production was then a company primarily focusing on the trading of display units for watches, jewellery, eyewear and other products for display and presentation of these products for retail sales. After the said acquisition, the entire issued share capital of Theme Production is held as to 51% by Big Focus, as to 25% by Chow Hoi Yin Riter and as to 24% by Yee Chan Chian, respectively.

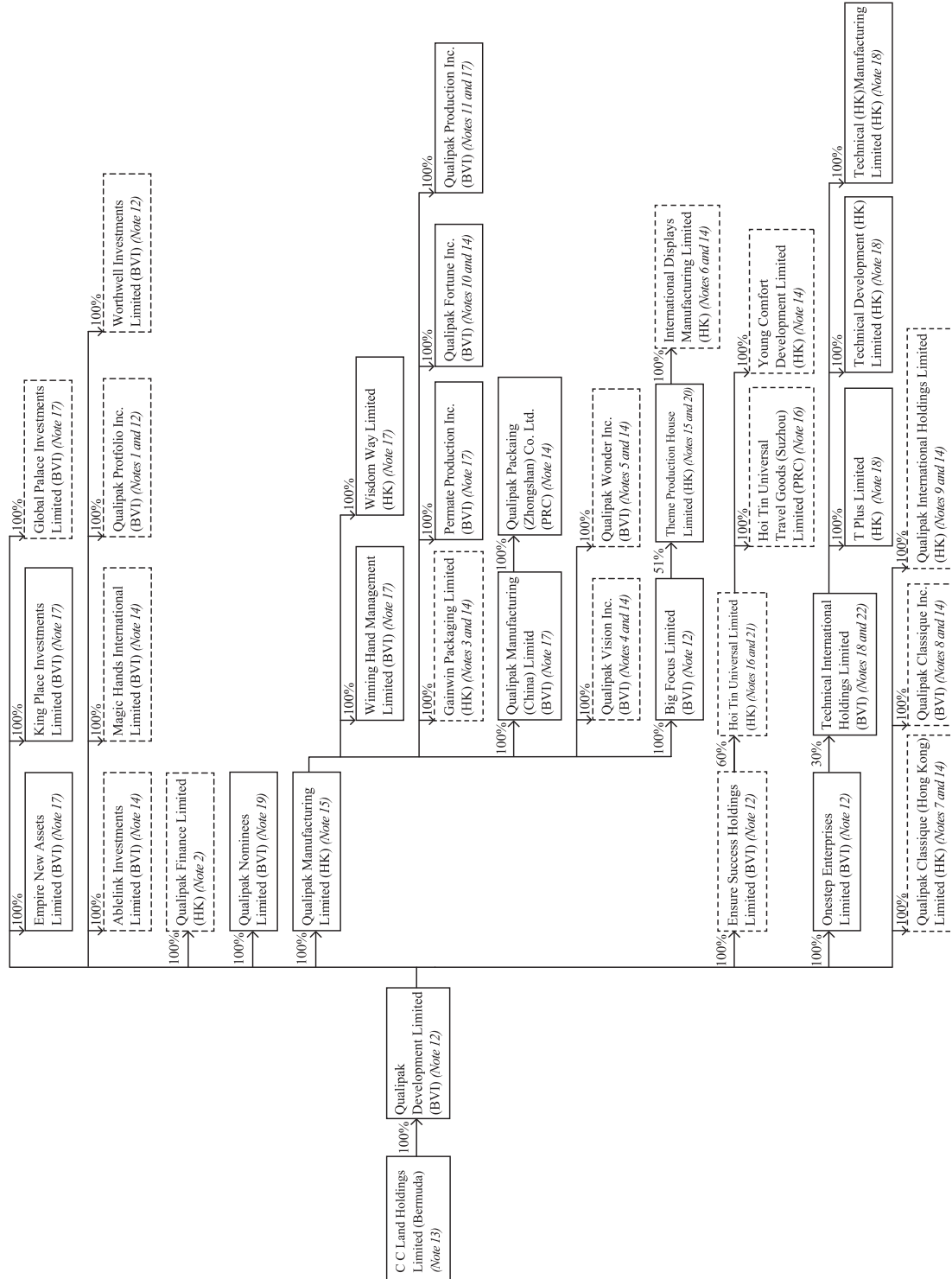
Theme Production is engaged in the trading of acrylic products and display units. Theme Production is an indirect subsidiary of our Company as to its 51% interest.

HISTORY, DEVELOPMENT AND CORPORATE REORGANISATION

REORGANISATION

Our corporate structure prior to the Reorganisation

The corporate chart below illustrates the corporate structure of our Group immediately prior to the Reorganisation:



HISTORY, DEVELOPMENT AND CORPORATE REORGANISATION

Notes:

- (1) Qualipak Portfolio Inc. has been renamed as C C Land Portfolio Inc..
- (2) Qualipak Finance Limited has been renamed as C C Land Finance Limited.
- (3) Gainwin Packaging Limited has been renamed as Mega Praise Limited.
- (4) Qualipak Vision Inc. has been renamed as Mighty Vision Inc..
- (5) Qualipak Wonder Inc. has been renamed as Mighty Gain Wonder Inc..
- (6) International Displays Manufacturing Limited has been renamed as Mighty Gain Investments Limited.
- (7) Qualipak Classique (Hong Kong) Limited has been renamed as Mighty Classique (Hong Kong) Limited.
- (8) Qualipak Classique Inc. has been renamed as Mighty Classique Inc..
- (9) Qualipak International Holdings Limited has been renamed as Mighty Gain Holdings Limited.
- (10) Qualipak Fortune Inc. has executed employment contracts with 4 employees who are assigned to work at the Zhongshan Processing Factory.
- (11) Qualipak Production Inc. has executed an employment contract with an employee who is assigned to work at the Guanlan Processing Factory.
- (12) The principal business activities of these companies are investment holding or treasury investment.
- (13) CC Land is a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1224).
- (14) These companies are either dormant or inactive.
- (15) The principal business activities of these companies are manufacturing and sale of packaging products and display products.
- (16) The principal business activities of these companies are manufacturing and sale of luggage products.
- (17) The principal business activities of these companies are holding of property or a vehicle or entering into leases for property.
- (18) The principal business activities of these companies are design and trading of wine openers, knives and kitchenware.
- (19) Qualipak Nominees does not conduct any business activities except for serving as a nominee company.
- (20) The entire issued share capital of Theme Production is held as to 51% by Big Focus, as to 25% by Chow Hoi Yin Riter and as to 24% by Yee Chan Chian, respectively. It is an indirect subsidiary of our Company as to its 51% interest.
- (21) The entire issued share capital of Hoi Tin Universal was held as to 60% by Ensure Success, as to 20.8% by Chau Tin Ping, as to 9.2% by Wong Kam Hoi and as to 10% by Wong Kong, respectively. As Ensure Success was carved out from our Group as part of the Reorganisation prior to it being subsequently disposed up by CC Land and as at the Latest Practicable Date, Hoi Tin Universal was no longer a member of our Group.
- (22) The entire issued share capital of Technical International is held as to 30% by Onestep Enterprises and as to 70% by Technical Group Holdings Limited, respectively, and accordingly, Technical International is an associated company of our Company. The entire issued share capital of Technical Group Holdings Limited is held as to 90% by Brian Sun and as to 10% by Chan Pui Ling Stella, respectively.

☐ indicates company which has been excluded from our Group as part of the Reorganisation.

Our Reorganisation

We underwent a reorganisation to rationalise our corporate structure in preparation for the Listing, and as a result, our Company became the holding company of our Group. In particular, a total of 14 companies namely CC Land Finance, Global Palace, CC Land Portfolio, Mega Praise, Worthwell, Ensure Success, Ablelink, Magic Hands, Mighty Vision, Mighty Gain Wonder, Mighty Classique, Mighty Classique HK, Mighty Gain Investments and Mighty Gain Holdings were carved out from our Group given the fact that the principal business activities engaged by these 14 companies were not related to that of our Group.

HISTORY, DEVELOPMENT AND CORPORATE REORGANISATION

The Reorganisation included, among other things, the following steps:

(1) Incorporation of our Company

On 24 October 2011, our Company was incorporated as an exempted company in Bermuda with an authorised share capital of HK\$50,000.00 divided into 500,000 Shares of HK\$0.10 each. At the time of incorporation, our Company had an issued share capital of HK\$0.10 with one nil paid Share of HK\$0.10, which was subscribed for and held by CC Land and that our Company was owned as to 100% by CC Land.

(2) Extraction of CC Land Finance, Mega Praise, Global Palace, CC Land Portfolio, Worthwell, Ensure Success (together with its subsidiaries), Ablelink, Magic Hands, Mighty Vision, Mighty Gain Wonder, Mighty Classique, Mighty Gain Holdings, Mighty Gain Investments and Mighty Classique HK from our Group, and waiver of CC Land Loan

(a) CC Land Finance (formerly known as Qualipak Finance Limited)

On 29 December 2011, Qualipak Development transferred to Mighty Gain, a wholly-owned subsidiary of CC Land, and Mighty Gain acquired from Qualipak Development, the entire issued share capital in CC Land Finance beneficially held by Qualipak Development for a total consideration of HK\$2.00. As the said share transfer was a transfer made within the CC Land Group, the consideration was determined with reference to the book value of the investment cost in CC Land Finance as at 29 December 2011. Upon completion of this share sale and purchase, CC Land Finance ceased to be a member of our Group.

CC Land Finance is currently not carrying on any business activities other than holding a Money Lenders Licence under the Money Lenders Ordinance, Chapter 163 of the Laws of Hong Kong.

(b) Mega Praise (formerly known as Gainwin Packaging Limited)

On 29 December 2011, Qualipak Manufacturing transferred to Mighty Gain, a wholly-owned subsidiary of CC Land, and Mighty Gain acquired from Qualipak Manufacturing, the entire issued share capital in Mega Praise beneficially held by Qualipak Manufacturing for a total consideration of HK\$2.00. As the said share transfer was a transfer made within the CC Land Group, the consideration was determined with reference to the book value of the investment cost in Mega Praise as at 29 December 2011. Upon completion of this share sale and purchase, Mega Praise ceased to be a member of our Group.

Furthermore, as at 29 December 2011, Mega Praise was indebted to Qualipak Development for a sum of HK\$133,714.00, being an interest-free and unsecured loan advanced by Qualipak Development to Mega Praise (“**Mega Praise Loan**”); and Qualipak Development was indebted to CC Land for the sum of HK\$1,122,448,757.72, being an interest-free and unsecured loan advanced by CC Land to Qualipak Development (“**Assignor Loan**”). In consideration of netting off an equivalent part of the Assignor Loan against the Mega Praise Loan, Qualipak Development assigned the Mega Praise Loan to CC Land on 29 December 2011.

HISTORY, DEVELOPMENT AND CORPORATE REORGANISATION

Mega Praise is currently not carrying on any business activities other than having provided two and one guarantees in relation to the opening of securities accounts by CC Land and Worthwell respectively.

(c) Global Palace

On 29 December 2011, Qualipak Development transferred to Mighty Gain, a wholly-owned subsidiary of CC Land, and Mighty Gain acquired from Qualipak Development the entire issued share capital in Global Palace for a total consideration of US\$1,000.00. As the said share transfer was a transfer made within the CC Land Group, the consideration was determined with reference to the book value of its investment cost in Global Palace as at 29 December 2011. Upon completion of this share sale and purchase, Global Palace ceased to be a member of our Group.

Furthermore, as at 29 December 2011, Global Palace was indebted to Qualipak Development for the sum of HK\$16,672,977.65, being an interest-free and unsecured loan advanced by Qualipak Development to Global Palace (“**GP Loan**”). In consideration of netting off an equivalent part of the Assignor Loan against the GP Loan, Qualipak Development assigned the GP Loan to CC Land on 29 December 2011.

The principal business activity of Global Palace is property holding.

(d) CC Land Portfolio (formerly known as Qualipak Portfolio Inc.)

On 29 December 2011, Qualipak Development transferred to Mighty Gain, a wholly-owned subsidiary of CC Land, and Mighty Gain acquired from Qualipak Development the entire issued share capital in CC Land Portfolio for a total consideration of US\$1.00. As the said share transfer was a transfer made within the CC Land Group, the consideration was determined with reference to the book value of its investment cost in CC Land Portfolio as at 29 December 2011. Upon completion of this share sale and purchase, CC Land Portfolio ceased to be a member of our Group.

Furthermore, as at 29 December 2011, CC Land Portfolio was indebted to Qualipak Development for the sum of HK\$451,450,083.21, being an interest-free and unsecured loan advanced by Qualipak Development to CC Land Portfolio (“**CC Land Portfolio Loan**”). In consideration of netting off an equivalent part of the Assignor Loan against the CC Land Portfolio Loan, Qualipak Development assigned the CC Land Portfolio Loan to CC Land on 29 December 2011.

The principal business activity of CC Land Portfolio is treasury investment.

(e) Worthwell

On 29 December 2011, Qualipak Development transferred to Mighty Gain, a wholly-owned subsidiary of CC Land, and Mighty Gain acquired from Qualipak Development the entire issued share capital in Worthwell for a total consideration of US\$50,000.00. As the said share transfer was a transfer made within the CC Land Group, the consideration was determined with reference to the book value of its investment cost in Worthwell as at 29 December 2011. Upon completion of this share sale and purchase, Worthwell ceased to be a member of our Group.

HISTORY, DEVELOPMENT AND CORPORATE REORGANISATION

Furthermore, as at 29 December 2011, Worthwell was indebted to Qualipak Development for the sum of HK\$513,467,874.68, being an interest-free and unsecured loan advanced by Qualipak Development to Worthwell (“**Worthwell Loan**”). In consideration of netting off an equivalent part of the Assignor Loan against the Worthwell Loan, Qualipak Development assigned the Worthwell Loan to CC Land on 29 December 2011.

The principal business activity of Worthwell is treasury investment.

(f) Ensure Success (together with its subsidiaries)

On 29 December 2011, Qualipak Development transferred to Mighty Gain, a wholly-owned subsidiary of CC Land, and Mighty Gain acquired from Qualipak Development the entire issued share capital in Ensure Success for a total consideration of US\$100.00. As the said share transfer was a transfer made within the CC Land Group, the consideration was determined with reference to the book value of its investment cost in Ensure Success as at 29 December 2011. Upon completion of this share sale and purchase, Ensure Success, together with its subsidiaries, namely Hoi Tin Universal, Hoi Tin Universal Travel Goods (Suzhou) Limited (海天環球旅游用品(蘇州)有限公司) (a wholly-owned subsidiary of Hoi Tin Universal) (“**Hoi Tin Travel**”) and Young Comfort Development Limited (a wholly-owned subsidiary of Hoi Tin Universal (“**Young Comfort**”)), ceased to be members of our Group.

Furthermore, as at 29 December 2011, Ensure Success was indebted to Qualipak Development for the sum of HK\$66,612,284.63, being an interest-free and unsecured loan advanced by Qualipak Development to Ensure Success (“**ES Loan**”). On 29 December 2011, Qualipak Development assigned the ES Loan to Mighty Gain.

As at 29 December 2011, Hoi Tin Universal, a 60%-interest subsidiary of Ensure Success, was indebted to Qualipak Manufacturing for a principal sum of HK\$10,000,000.00 together with interest accrued thereon amounting to HK\$10,079,452.05 (“**Hoi Tin Loan**”); and on the same day, Qualipak Development advanced a total sum equivalent to the Hoi Tin Loan as shareholder’s loan (“**QDL Loan**”) to Ensure Success, which is interest-free, unsecured and has no fixed term of repayment. Accordingly, Qualipak Manufacturing assigned the Hoi Tin Loan to Ensure Success in consideration of the QDL Loan.

On 26 March 2012, Mighty Gain disposed of its entire issued share capital in Ensure Success to Ms. Chau Tin Ping and Mr. Wang Zhe at a consideration of HK\$17,000,000.00 and HK\$3,000,000.00 respectively. Ms. Chau (being then one of the shareholders of Hoi Tin Universal holding 20.8% of the issued share capital of Hoi Tin Universal, a director of Hoi Tin Universal, Hoi Tin Travel and Young Comfort, the legal representative of Hoi Tin Travel, the company secretary of Hoi Tin Universal and Young Comfort and a shareholder of CC Land holding 233,000 shares, representing approximately 0.0092% of the issued shares of CC Land) was a connected person of the Company. Mr. Wang (a former Assistant Marketing Manager of Hoi Tin Universal)

HISTORY, DEVELOPMENT AND CORPORATE REORGANISATION

together with his associates held 20,000 shares, representing approximately 0.0008% of the issued shares of CC Land. The disposal constituted a connected transaction for CC Land under Chapter 14A of the Listing Rules as well as a discloseable transaction under Chapter 14 of the Listing Rules as disclosed in the circular of CC Land dated 2 March 2012. Prior to the said disposal, the principal business activity of Ensure Success was investment holding.

(g) *Mighty Gain Investments (formerly known as International Displays Manufacturing Limited)*

On 19 March 2012, Theme Production transferred to Mighty Gain, a wholly-owned subsidiary of CC Land, and Mighty Gain acquired from Theme Production, the entire issued share capital in Mighty Gain Investments beneficially held by Theme Production for a total consideration of HK\$1.00. As the said share transfer was a transfer made within the CC Land Group, the consideration was determined with reference to the book value of the investment cost in Mighty Gain Investments as at 19 March 2012. Upon completion of this share sale and purchase, Mighty Gain Investments ceased to be a member of our Group.

On 16 March 2012, Theme Production has agreed to assign, and Mighty Gain has agreed to accept the assignment of, HK\$6,449.00, being the outstanding amount owing by Mighty Gain Investments to Theme Production as at the date of the assignment (“**MGI Loan**”).

Mighty Gain Investments is currently not carrying on any business activities.

(h) *Mighty Classique HK (formerly known as Qualipak Classique (Hong Kong) Limited)*

On 19 March 2012, Qualipak Development transferred to Mighty Gain, a wholly-owned subsidiary of CC Land, and Mighty Gain acquired from Qualipak Development, the entire issued share capital in Mighty Classique HK beneficially held by Qualipak Development for a total consideration of HK\$2.00. As the said share transfer was a transfer made within the CC Land Group, the consideration was determined with reference to the book value of the investment cost in Mighty Classique HK as at 19 March 2012. Upon completion of this share sale and purchase, Mighty Classique HK ceased to be a member of our Group.

On 16 March 2012, Qualipak Development has agreed to assign, and Mighty Gain has agreed to accept the assignment of, HK\$22,322.00, being the outstanding amount owing by Mighty Classique HK to Qualipak Development as at the date of the assignment (“**MCHK Loan**”).

Mighty Classique HK is currently not carrying on any business activities.

HISTORY, DEVELOPMENT AND CORPORATE REORGANISATION

(i) Mighty Gain Holdings (formerly known as Qualipak International Holdings Limited)

On 19 March 2012, Qualipak Development transferred to Mighty Gain, a wholly-owned subsidiary of CC Land, and Mighty Gain acquired from Qualipak Development the entire issued share capital in Mighty Gain Holdings beneficially held by Qualipak Development for a total consideration of HK\$1.00. As the said share transfer was a transfer made within the CC Land Group, the consideration was determined with reference to the book value of the investment cost in Mighty Gain Holdings as at 19 March 2012. Upon completion of this share sale and purchase, Mighty Gain Holdings ceased to be a member of our Group.

On 16 March 2012, Qualipak Development has agreed to assign, and Mighty Gain has agreed to accept the assignment of, HK\$20,290.00, being the outstanding amount owing by Mighty Gain Holdings to Qualipak Development as at the date of the assignment (“**MGH Loan**”).

Mighty Gain Holdings is currently not carrying on any business activities.

(j) Ablelink

On 16 March 2012, Qualipak Development transferred to Mighty Gain, a wholly-owned subsidiary of CC Land, and Mighty Gain acquired from Qualipak Development, the entire issued share capital in Ablelink beneficially held by Qualipak Development for a total consideration of US\$100.00. As the said share transfer was a transfer made within the CC Land Group, the consideration was determined with reference to the book value of the investment cost in Ablelink as at 16 March 2012. Upon completion of this share sale and purchase, Ablelink ceased to be a member of our Group.

On 16 March 2012, Qualipak Development has agreed to assign, and Mighty Gain has agreed to accept the assignment of, HK\$636,229.76, being the outstanding amount owing by Ablelink to Qualipak Development as at the date of the assignment (“**Ablelink Loan**”).

Ablelink is currently not carrying on any business activities.

(k) Magic Hands

On 16 March 2012, Qualipak Development transferred to Mighty Gain, a wholly-owned subsidiary of CC Land, and Mighty Gain acquired from Qualipak Development, the entire issued share capital in Magic Hands beneficially held by Qualipak Development for a total consideration of US\$100.00. As the said share transfer was a transfer made within the CC Land Group, the consideration was determined with reference to the book value of the investment cost in Magic Hands as at 16 March 2012. Upon completion of this share sale and purchase, Magic Hands ceased to be a member of our Group.

HISTORY, DEVELOPMENT AND CORPORATE REORGANISATION

On 16 March 2012, Qualipak Development has agreed to assign, and Mighty Gain has agreed to accept the assignment of, HK\$41,744.00, being the outstanding amount owing by Magic Hands to Qualipak Development as at the date of the assignment (“**MH Loan**”).

Magic Hands is currently not carrying on any business activities.

(l) Mighty Vision (formerly known as Qualipak Vision Inc.)

On 16 March 2012, Qualipak Manufacturing transferred to Mighty Gain, a wholly-owned subsidiary of CC Land, and Mighty Gain acquired from Qualipak Manufacturing, the entire issued share capital in Mighty Vision beneficially held by Qualipak Manufacturing for a total consideration of US\$10,000.00. As the said share transfer was a transfer made within the CC Land Group, the consideration was determined with reference to the book value of the investment cost in Mighty Vision as at 16 March 2012. Upon completion of this share sale and purchase, Mighty Vision ceased to be a member of our Group.

On 16 March 2012, Mighty Vision has agreed to assign, and Mighty Gain has agreed to accept the assignment of, HK\$59,046.00, being the outstanding amount owing by Qualipak Manufacturing to Mighty Vision as at the date of the assignment (“**QM-MV Loan**”).

Mighty Vision is currently not carrying on any business activities.

(m) Mighty Gain Wonder (formerly known as Qualipak Wonder Inc.)

On 16 March 2012, Qualipak Manufacturing transferred to Mighty Gain, a wholly-owned subsidiary of CC Land, and Mighty Gain acquired from Qualipak Manufacturing, the entire issued share capital in Mighty Gain Wonder beneficially held by Qualipak Manufacturing for a total consideration of US\$10,000.00. As the said share transfer was a transfer made within the CC Land Group, the consideration was determined with reference to the book value of the investment cost in Mighty Gain Wonder as at 16 March 2012. Upon completion of this share sale and purchase, Mighty Gain Wonder ceased to be a member of our Group.

On 16 March 2012, Mighty Gain Wonder has agreed to assign, and Mighty Gain has agreed to accept the assignment of, HK\$63,425.50, being the outstanding amount owing by Qualipak Manufacturing to Mighty Gain Wonder as at the date of the assignment (“**QM-MGW Loan**”).

Mighty Gain Wonder is currently not carrying on any business activities.

HISTORY, DEVELOPMENT AND CORPORATE REORGANISATION

(n) Mighty Classique (formerly known as Qualipak Classique Inc.)

On 16 March 2012, Qualipak Development transferred to Mighty Gain, a wholly-owned subsidiary of CC Land, and Mighty Gain acquired from Qualipak Development, the entire issued share capital in Mighty Classique beneficially held by Qualipak Development for a total consideration of US\$1.00. As the said share transfer was a transfer made within the CC Land Group, the consideration was determined with reference to the book value of the investment cost in Mighty Classique as at 16 March 2012. Upon completion of this share sale and purchase, Mighty Classique ceased to be a member of our Group.

On 16 March 2012, Qualipak Development has agreed to assign, and Mighty Gain has agreed to accept the assignment of, HK\$28,456.21, being the outstanding amount owing by Mighty Classique to Qualipak Development as at the date of the assignment (“MC Loan”).

Mighty Classique is currently not carrying on any business activities.

(o) Loan advancement by CC Land to Mighty Gain

As at 29 December 2011, a shareholders’ loan of HK\$140,724,108.18 was due to CC Land by Qualipak Development (“CCLand Loan”) after netting off the original Assignor Loan due to CC Land against the respective Mega Praise Loan, GP Loan, CC Land Portfolio Loan and Worthwell Loan which were assigned respectively to CC Land (i.e. following the completion of the assignment of Mega Praise Loan, GP Loan, CC Land Portfolio Loan and Worthwell Loan described in paragraphs (b) to (e) respectively). During the period from 30 December 2011 to 31 December 2011, an amount of HK\$21,208,535.08, being part of the CCLand Loan, was repaid by Qualipak Development to CC Land, as a result of which the balance of the CC Land Loan as at 31 December 2011 was HK\$119,515,573.10. Furthermore, during the period from 1 January 2012 to 23 February 2012, an amount of HK\$158,556.17, being part of the CCLand Loan, was further repaid by Qualipak Development to CC Land, as a result of which the balance of the CCLand Loan as at 24 February 2012 was HK\$119,357,016.93.

As at 24 February 2012, there is a sum of HK\$67,010,873.42 due from Mighty Gain to Qualipak Development following the loan assignments and share sales described in paragraphs (a) to (f) above. On the same day, CC Land advanced a loan of the same amount to Mighty Gain to repay the amount due to Qualipak Development by netting off against an equivalent part of the CCLand Loan, as a result of which the balance of the CCLand Loan was HK\$52,346,143.51.

(p) Settlement of CC Land Loan

Following the completion of the netting off and repayment of certain part of the CCLand Loan as described in paragraph (o) above, in order to further settle the CCLand Loan, CC Land waived a sum of HK\$43,000,000.00 out of the CCLand Loan, as a result of which the balance of the CCLand Loan remaining due from Qualipak Development was in the sum of about HK\$10,000,000.00 (“CCLand Loan Remaining Balance”). With regard to the settlement of the CCLand Loan Remaining Balance, on 8 June 2012,

HISTORY, DEVELOPMENT AND CORPORATE REORGANISATION

our Group repaid to CC Land the CCLand Loan Remaining Balance in cash by using part of its existing available cash as a result of which the entire amount of the CCLand Loan was fully settled.

(3) Acquisition of the entire share capital of Qualipak Development by our Company

- (a) On 15 May 2012, the authorised share capital of our Company was increased from HK\$50,000.00 to HK\$100,000,000.00 by the creation of an additional 999,500,000 Shares.
- (b) On 15 May 2012, CC Land transferred to our Company, and our Company acquired from CC Land, the entire issued share capital of Qualipak Development in consideration and in exchange for which an aggregate number of 127,196,161 Shares were allotted and issued, credited as fully paid and crediting also nil paid one Share of our Company held by CC Land as fully paid at par, to CC Land. Immediately after the completion of such transfer, our Company became a direct wholly-owned subsidiary of CC Land, Qualipak Development became a direct wholly-owned subsidiary of our Company, and our Company then became the holding company of our Group.

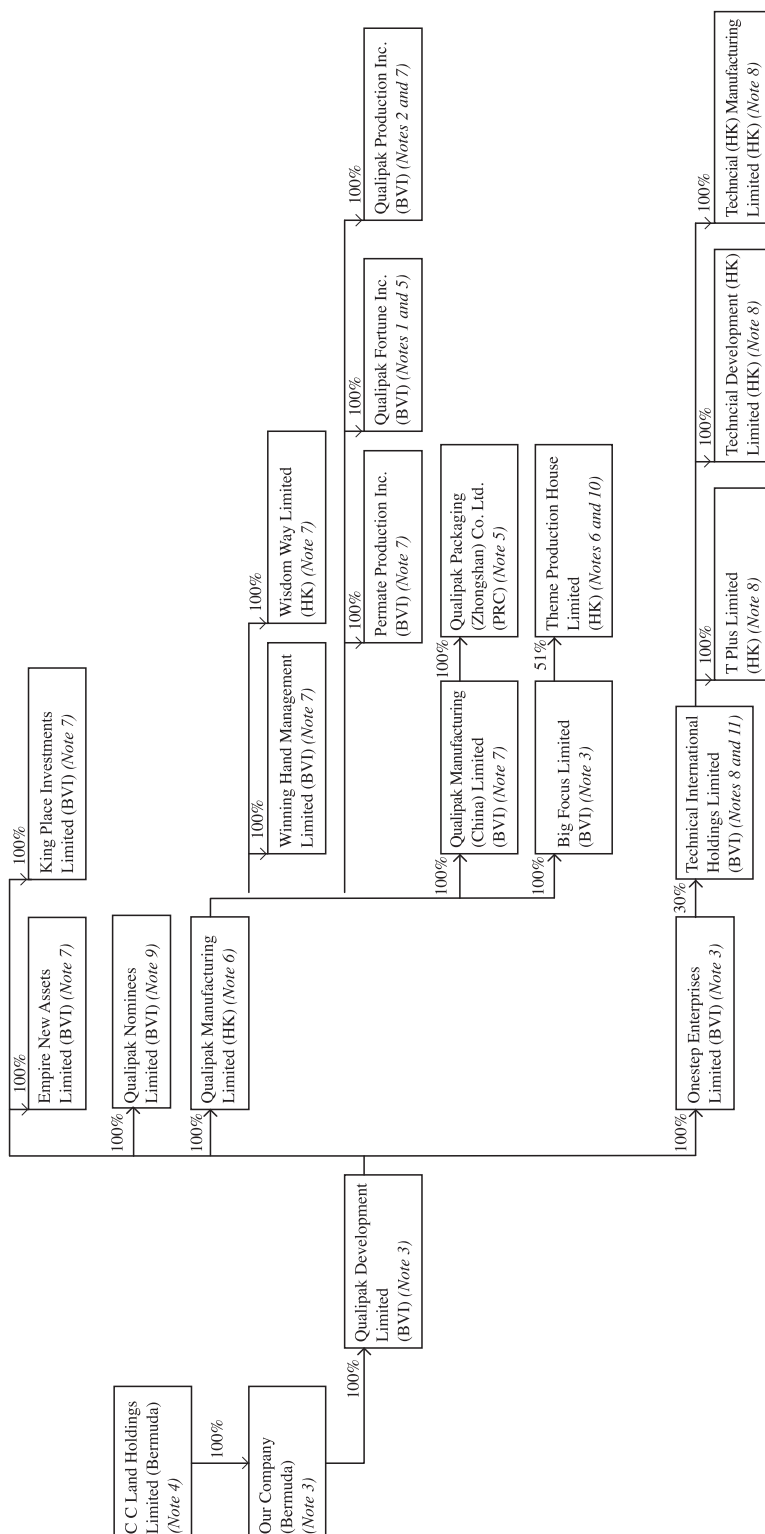
(4) Capitalisation Issue

2,193,832 Shares will be allotted and issued to CC Land, credited as fully paid at par by capitalising and applying HK\$219,383.20 standing to the credit of the contributed surplus account of our Company on or about 11 July 2012.

HISTORY, DEVELOPMENT AND CORPORATE REORGANISATION

Our corporate structure after the Reorganisation but prior to the Distribution and the Share Offer

The corporate structure of our Group after the Reorganisation but immediately prior to the Distribution and Share Offer is set out below:



HISTORY, DEVELOPMENT AND CORPORATE REORGANISATION

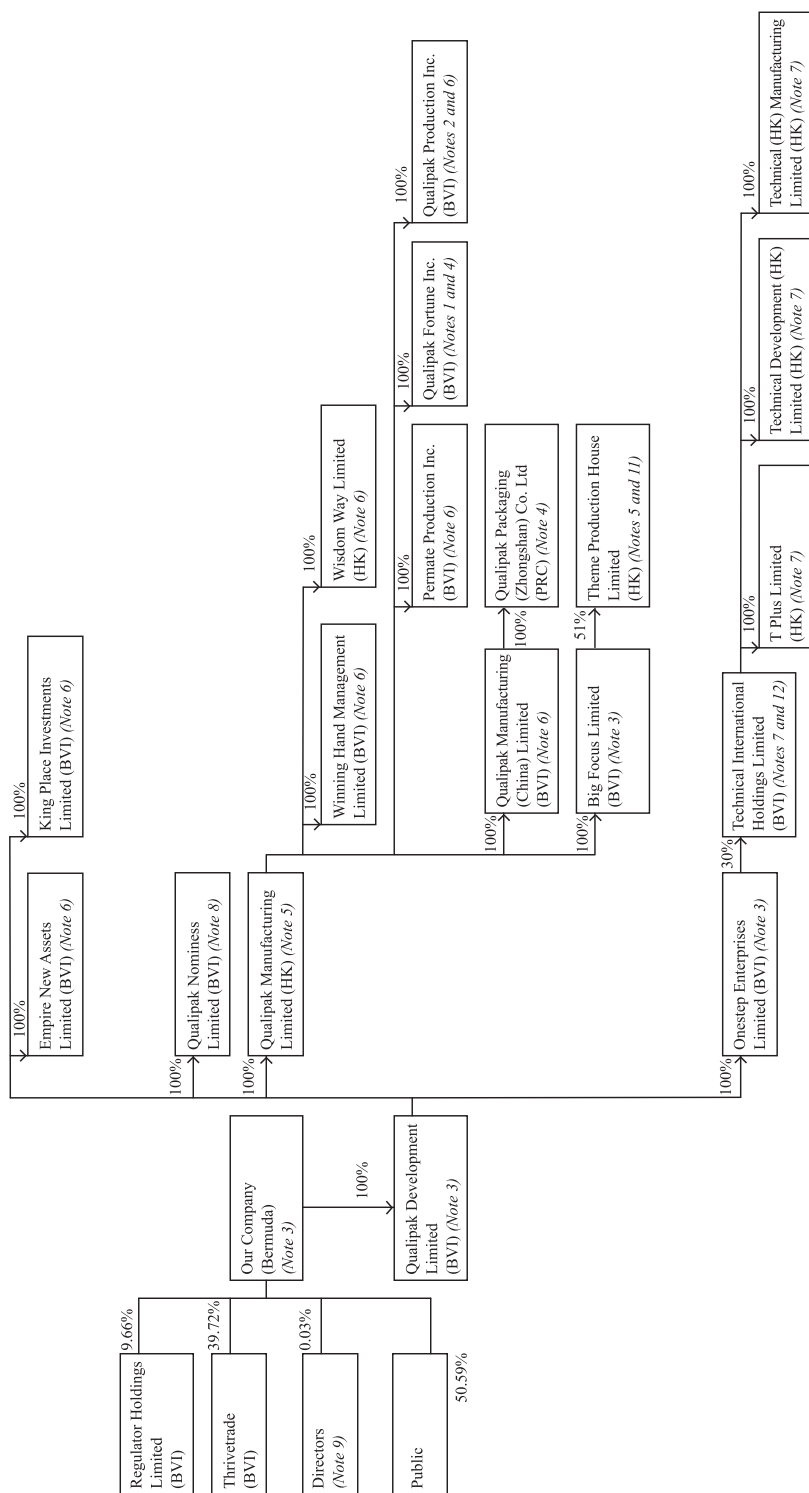
Notes:

- (1) Qualipak Fortune Inc. has executed employment contracts with 4 employees who are assigned to work at the Zhongshan Processing Factory.
- (2) Qualipak Production Inc. has executed an employment contract with an employee who is assigned to work at the Guanlan Processing Factory.
- (3) The principal business activities of these companies are investment holding.
- (4) CC Land is a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1224).
- (5) These companies are either dormant or inactive.
- (6) The principal business activities of these companies are manufacturing and sale of packaging products and display products.
- (7) The principal business activities of these companies are holding of property or a vehicle or entering into leases for property.
- (8) The principal business activities of these companies are design and trading of wine openers, knives and kitchenware.
- (9) Qualipak Nominees does not conduct any business activities except for serving as a nominee company.
- (10) The entire issued share capital of Theme Production is held as to 51% by Big Focus, as to 25% by Chow Hoi Yin Riter and as to 24% by Yee Chan Chian, respectively. It is an indirect subsidiary of our Company as to its 51% interest.
- (11) The entire issued share capital of Technical International is held as to 30% by Onestep Enterprises and as to 70% by Technical Group Holdings Limited, respectively, and accordingly, Technical International is an associated company of our Company. The entire issued share capital of Technical Group Holdings Limited is held as to 90% by Brian Sun and as to 10% by Chan Pui Ling Stella, respectively.

HISTORY, DEVELOPMENT AND CORPORATE REORGANISATION

Our corporate structure after the Reorganisation, the Distribution and the Share Offer

The corporate structure of our Group after completion of the Reorganisation, and immediately after the Distribution and the Share Offer (assuming that all CC Land Qualifying Shareholders take up their respective Assured Entitlement under the Preferential Offer in full, and taking no accounts of any Public Offer Shares which may be taken up under the Public Offer and any Shares which may be allotted and issued pursuant to the exercise of options that may be granted under the Share Option Scheme) is set out below:



HISTORY, DEVELOPMENT AND CORPORATE REORGANISATION

Notes:

- (1) Qualipak Fortune Inc. has executed employment contracts with 4 employees who are assigned to work at the Zhongshan Processing Factory to supervise its production, operation and quality control.
- (2) Qualipak Production Inc. has executed an employment contract with an employee who is assigned to work at the Guanlan Processing Factory to supervise its production, operation and quality control.
- (3) The principal business activities of these companies are investment holding.
- (4) These companies are either dormant or inactive.
- (5) The principal business activities of these companies are manufacturing and sale of packaging products and display products.
- (6) The principal business activities of these companies are holding of property or a vehicle or entering into leases for property.
- (7) The principal business activities of these companies are design and trading of wine openers, knives and kitchenware.
- (8) Qualipak Nominees does not conduct any business activities except for serving as a nominee company.
- (9) Such Directors, namely Dr. Lam, Leung Chun Cheong and Poon Ho Yee Agnes, will become interested in the Shares through the Distribution and/or the Preferential Offer.
- (10) The total number of Public Offer Shares under the Public Offer represents about 4% of the enlarged issued share capital of our Company after the Distribution and the Share Offer.
- (11) The entire issued share capital of Theme Production is held as to 51% by Big Focus, as to 25% by Chow Hoi Yin Riter and as to 24% by Yee Chan Chian, respectively. It is an indirect subsidiary of our Company as to its 51% interest.
- (12) The entire issued share capital of Technical International is held as to 30% by Onestep Enterprises and as to 70% by Technical Group Holdings Limited, respectively, and accordingly, Technical International is an associated company of our Company. The entire issued share capital of Technical Group Holdings Limited is held as to 90% by Brian Sun and as to 10% by Chan Pui Ling Stella, respectively.

DISTRIBUTION AND SPIN-OFF

THE DISTRIBUTION

Pursuant to the Distribution, subject to the Listing becoming unconditional, each CC Land Qualifying Shareholder will be entitled to the payment of a special interim dividend which will be satisfied by way of distribution of one Share for every whole multiple of 20 CC Land Shares held by them as at the close of business on the Record Date. Based on the issued share capital of CC Land as at the Record Date, a total of 129,389,994 Shares will be distributed to the CC Land Qualifying Shareholders to effect the Distribution.

Fractional entitlements to the Shares under the Distribution will be retained by CC Land for sale in the market and CC Land will keep the net proceeds of sale, after deduction of related expenses therefrom, for the benefit of CC Land. As advised by our Bermuda legal advisers, this will not contravene Bermuda law.

The Distribution has been conditionally approved by the board of directors of CC Land and is still subject to the Listing becoming unconditional. Definitive certificates for the Shares are expected to be despatched to the CC Land Qualifying Shareholders on Wednesday, 11 July 2012. The share certificates will only become valid certificates of title at 8:00 a.m. on Thursday, 12 July 2012 provided that (i) the Share Offer has become unconditional in all respects and (ii) the Underwriting Agreement has not been terminated in accordance with its terms.

REASONS FOR THE SPIN-OFF

On 29 December 2011, CC Land submitted a proposal for the Spin-off to the Stock Exchange pursuant to Practice Note 15 of the Listing Rules. The Spin-off is conditional upon:

- (a) the Stock Exchange approving the Spin-off; and
- (b) the Listing Committee granting the listing of, and permission to deal in, our Shares in issue and any Shares, up to 10% of the Shares in issue as at the date of approval of the Share Option Scheme in accordance with the Listing Rules, to be issued pursuant to the exercise of the options that may be granted under the Share Option Scheme, on the Main Board.

The board of directors of CC Land believes that the Spin-off will bring about the following benefits to both CC Land and our Company:

- (i) CC Land and our Company are believed to have different growth paths and different business strategies. The Spin-off will allow separate platforms for the businesses of the two groups;
- (ii) the Spin-off will create two groups of companies and will offer investors an opportunity to participate in the future development of both the Remaining CC Land Group as well as our Group by way of investment in both or either of the groups;
- (iii) the Spin-off will be by way of the Distribution coupled with the Preferential Offer, whereby upon the Listing, all or most of the Shares will be held by the then existing CC Land Shareholders. CC Land will thus be able to return value to the CC Land Shareholders in the form of liquid securities;

DISTRIBUTION AND SPIN-OFF

- (iv) the Spin-off will enable the management team of CC Land to continue to focus on building its core businesses (i.e. the property development business in Western China and treasury investment business), thereby enhancing the decision-making process and its responsiveness to market changes;
- (v) the Spin-off will provide a mechanism to attract and motivate our Group's management who would be directly responsible for the financial performance of our Group on a standalone basis;
- (vi) the Spin-off is expected to improve the operational and financial transparency of our Group and provide investors, the market and rating agencies with greater clarity on the businesses as well as the respective financial status of the Remaining CC Land Group and our Group;
- (vii) the Spin-off will provide separate fundraising platforms for the Remaining CC Land Group and our Group with respect to their respective operations and future expansion; and
- (viii) the cash proceeds to be received pursuant to the Share Offer associated with the Spin-off will provide capital to our Company for its operations and new investment opportunities.

In order to enable the CC Land Shareholders to participate in the Share Offer on a preferential basis as to allocation only, CC Land Qualifying Shareholders are being invited to apply for an aggregate of up to 8,625,999 Reserved Shares (representing about 60% of the Offer Shares and about 6% of the enlarged issued share capital of our Company upon completion of the Share Offer) in the Preferential Offer on the basis of an Assured Entitlement of one Reserved Share for every whole multiple of 300 CC Land Shares held by them as at the close of business on the Record Date. CC Land Fractional Shareholders will not be entitled to apply for any Reserved Share. Further details of the Preferential Offer are set out in the section headed "Structure and conditions of the Share Offer" in this prospectus.

BUSINESS

OVERVIEW

We are principally engaged in the OEM manufacturing and sourcing of packaging products. Our principal products include watch boxes, jewellery boxes, eyewear cases, bags and pouches and display units, which are manufactured at the PRC Processing Factories under the PRC Processing Agreements. We also source some of our display units for watches, jewellery, eyewear and other products required by our customers from third party suppliers and sell such display units to our customers. We have over 20 years of experience in the packaging industry and have long business relationship with our customers, some of which we have been collaborating with for over 15 years.

Our Group has a diversified customer base and had a total of about 730 customers during the Track Record Period, which included owners or carriers of internationally renowned brands for watches, jewellery and eyewear products. For each of the years ended 31 December 2009, 2010 and 2011, our Group had transactions with about 430, 470 and 430 customers, respectively.

The following table sets forth a breakdown of our Group's sales by product category for each of the years ended 31 December 2009, 2010 and 2011:

	For the year ended 31 December					
	2009		2010		2011	
	Revenue <i>HK\$'000</i>	Percentage of total revenue	Revenue <i>HK\$'000</i>	Percentage of total revenue	Revenue <i>HK\$'000</i>	Percentage of total revenue
Packaging cases	189,963	64.5%	242,576	62.0%	281,692	67.3%
Bags and pouches	13,287	4.5%	23,728	6.1%	17,127	4.1%
Display units	76,938	26.1%	105,007	26.9%	103,580	24.7%
Others (note)	14,483	4.9%	19,741	5.0%	16,261	3.9%
Total	<u>294,671</u>	<u>100%</u>	<u>391,052</u>	<u>100%</u>	<u>418,660</u>	<u>100%</u>

Note: "Others" include revenue generated from products/accessories, such as cushions, booklets, cards, plastic tags and presentation materials, and other income such as artwork charges, mould charges and extra delivery charges.

Our revenue generated from sales of display units sourced by our Group from third party suppliers was about one-fifth of the total revenue for each of the years ended 31 December 2009, 2010 and 2011. For each of the years ended 31 December 2009, 2010 and 2011, over three-fourths of the display units sold by our Group were sourced from third party suppliers.

During the Track Record Period, most of our revenue was derived from sales to customers in Europe, Hong Kong, and North and South America. The following table sets forth, for the years indicated, the breakdown of our revenue categorised by geographical locations of our customers.

BUSINESS

	For the year ended 31 December					
	2009		2010		2011	
	Revenue <i>HK\$'000</i>	Percentage of revenue	Revenue <i>HK\$'000</i>	Percentage of revenue	Revenue <i>HK\$'000</i>	Percentage of revenue
Europe	145,710	49.4%	172,690	44.2%	154,850	37.0%
Hong Kong	89,354	30.3%	131,330	33.6%	145,461	34.7%
North and South America	41,709	14.2%	64,272	16.4%	83,539	20.0%
Others	17,898	6.1%	22,760	5.8%	34,810	8.3%
Total	294,671	100%	391,052	100%	418,660	100%

Our top ten customers during the Track Record Period, the sales to whom accounted for about 56.6%, 64.2% and 58.5% of our total revenue during each of the years ended 31 December 2009, 2010 and 2011, respectively, are either brand owners or carriers or traders of packaging products. Set out below is an analysis of our revenue attributable to these customers by customer type during the Track Record Period:

	For the year ended 31 December		
	2009	2010	2011
	Percentage of total turnover	Percentage of total turnover	Percentage of total turnover
Brand owners/carriers	36.6%	42.1%	39.9%
Traders of packaging products	20.0%	22.1%	18.6%
Total	56.6%	64.2%	58.5%

Our sales and marketing functions are based in Hong Kong where our sales and marketing team offers its services to our customers worldwide, while our manufacturing operations are carried out in the PRC through PRC processing arrangements. As at the Latest Practicable Date, our Group had engaged two processing factories under the PRC Processing Agreements for production of our products, namely Zhongshan Processing Factory and Guanlan Processing Factory.

Under the PRC Processing Agreements, the PRC parties shall provide (amongst others) the factory premises, labour, water and electricity utilities, assist our Group in customs clearance and nominate the key personnel for management of the processing factory, while our Group shall provide (amongst others) machinery and equipment, production materials, ancillary materials and packaging materials, pay processing fees, provide technical guidance and training to factory workers and provide supervision over quality control of finished products. Both of the PRC Processing Agreements will, subject to further renewal, expire in 2015.

During the Track Record Period, we experienced CAGRs of about 19.2% and 47.3% in respect of our revenue and net profit, respectively, and our Group maintained a gross profit margin of about 19.3%, 19.3% and 20.5% for each of the three years ended 31 December 2011, respectively. Our Directors consider that such growth in revenue and net profit and the relatively stable gross profit margins achieved by us during the Track Record Period despite fluctuations in the global economy

BUSINESS

were attributable to our continued success in controlling costs and maintaining our product quality at reasonable costs for satisfying our customers' requirements. It also demonstrates our success in capturing the business opportunities with our extensive experience and strong market position in the packaging products industry, and our dedication to product quality.

COMPETITIVE STRENGTHS

We attribute our success to the following key competitive strengths:

Refined quality management system and high quality products

Our products are supplied to our customers who include owners or carriers of internationally renowned brands for watches, jewellery and eyewear products and other products, and product quality and on-time delivery are key concerns of our customers. We are capable to offer comprehensive product development and manufacturing solution to our customers by developing and manufacturing the final products based on our customers' requirements and specifications, which we believe enables us to exercise better overall control on material usage and production lead time. We also devise and supervise the implementation of a three-step quality control system at the PRC Processing Factories by enforcing quality controls at the design and prototyping stage, the production stage and the delivery stage. In respect of the display units manufactured by our suppliers, quality control inspection of the end products at the premises of the suppliers is also arranged before shipment and acceptance of these products to ensure that such products comply with our customers' requirements. We also have in place established quality control system and procedures for procurement of our production materials, consumables and component parts. We believe that with the combination of the above production and quality control measures, together with our in-depth understanding of our industry and our customers' needs, we are well-positioned to meet our clients' production requirements.

Long business relationship with our customers and established customer base

Our Group has a diversified customer base and had a total of about 730 customers during the Track Record Period. Our customers include owners or carriers of internationally renowned brands for watches, jewellery and eyewear products and other customers such as traders of packaging products. We have long business relationship with our customers, some of which we have been collaborating with for over 15 years. On average, we have over 10 years of business relationship with our top ten customers for the year ended 31 December 2011. We believe that our product development capabilities, comprehensive product range and model portfolio, quality management system and on-time delivery contribute to our ability to maintain our relationship with our customers and cater for our customers' demands with flexibility, competitive pricing and reliable quality standard.

We have close working relationship with our customers throughout the sales process from the product design and development stage to production phase and product delivery. We maintain on-going dialogues with our key customers to better understand their needs and produce products to match the unique style of their brands. Representatives from our customers regularly visit the PRC Processing Factories to assess the production progress at these facilities and showroom in our Hong Kong office to discuss product development plans. Our marketing team also meets with our customers to discuss with our customers their needs and to obtain information on new product development.

BUSINESS

We believe that our established business relationship with our customers is difficult to be replicated by new competitors.

Comprehensive product range and model portfolio and ability to offer product development services to our customers

We offer a wide variety of packaging products and maintain a comprehensive portfolio of over 1,500 models of packaging products. We believe that our comprehensive products portfolio and product development capabilities enable us to cater for the varying and fashionable needs of our customers. With our portfolio of existing designs and samples of packaging products, we are capable to offer product development and manufacturing solution to our customers by developing and producing the final products for eventual mass production based on our customers' specifications and/or variations to the standard models in our products portfolio, which we believe shortens the lead time for product development. In addition, we also source some of our display units from third party suppliers (other than the PRC Processing Factories) and sell such display units to our customers, which complements our ability to provide packaging solutions to our customers through the combination of providing manufacturing and procurement solutions.

We believe that our ability to provide one-stop, product development and manufacturing solutions to our customers is one of the principal contributors to our success, as demonstrated by our long business relationship with our customers and our track record.

Experienced management team with a proven track record

Our Group's performance and success is, to a significant extent, attributable to the expertise and experience of our key management personnel. Our core management team is led by one of the founders of our Group, chairman of the Board and non-executive Director, Dr. Lam, who has over 20 years of experience in the packaging business. Dr. Lam is responsible for overseeing the strategic development and the overall business development of our Group. Ms. Poon Ho Yee Agnes, our executive Director who is responsible for sales and marketing management and manufacturing operations of our Group, has over 20 years of experience in sales and marketing within the manufacturing industry. Mr. Leung Chun Cheong, our executive Director who is generally responsible for overseeing the financial control of our Group, has over 35 years of experience in professional accounting and finance.

We believe that our management team's in-depth knowledge of the packaging industry can enable us to respond efficiently to various challenges from the changing market conditions. We believe that the knowledge, skill and experience of our management team are crucial to the future development of our Group.

BUSINESS STRATEGIES

With our proven track record, our Directors believe that our Group is well-positioned to further develop our business and to capture new business opportunities. We aim to continue to establish our market presence in the packaging industry and focus on product quality to capture growth in this market. To achieve this, we plan to continue to capitalise on opportunities to leverage our competitive strengths and implement our business strategies:

BUSINESS

Stringent quality control to maintain product quality

Our Directors understand that packaging only accounts for a minor proportion of the production costs of consumer goods such as watches, jewellery and eyewear products, but packaging is essential to the image of these products to consumers and hence is important to the success of these products in the retail market.

We have an established customer base for our packaging products. During the Track Record Period, carriers or owners of internationally renowned brands of watches, jewellery and eyewear products were among our top customers. In order to meet our customers' stringent requirements on product quality, we maintain and perform quality control procedures for production materials, components and sub-contracted out works, and devise and supervise the implementation of a three-step quality control system at the PRC Processing Factories by enforcing quality controls at the design and prototyping stage, the production stage and the delivery stage. In respect of the display units manufactured by our suppliers, quality control inspection of the end products at the premises of the suppliers is also arranged before shipment and acceptance of these products to ensure that such products comply with our customers' requirements. As a result, during the Track Record Period, the aggregate value of returned products from our customers had been insignificant in comparison with our Group's revenue. We believe that our stringent quality control measures and close working relationship with customers are key contributing factors to maintaining our product quality and our long-term relationship with our customers.

We intend to continue to optimise our quality control system and perform stringent quality control measures in our production flow and sourcing process to ensure that our products will continue to meet our customers' demands. We also believe that maintaining our product quality will help sustain our market reputation.

Strengthen and expand our customer base

We plan to strengthen our relations with our customers through continued collaboration in product development and product quality management.

We believe that our close relationship with our customers is key to maintaining and strengthening our customer base. Hence, our sales and marketing team regularly meets with our key customers to better understand the unique needs and style of their brands. We also attend local and overseas trade fairs and exhibitions, such as the Basel World Watch and Jewellery Show (held in Basel, Switzerland), Mido (held in Milan, Italy), Hong Kong Watch & Clock Fair, Hong Kong Optical Fair, and Hong Kong Gifts & Premium Fair, with an aim to obtain the latest information on market trend and to showcase our product samples and model portfolio to our existing and potential customers.

In line with our established customer base which includes owners or carriers of internationally renowned brands of watches, jewellery and eyewear products, we currently intend to target potential customers who are internationally renowned brands with significant business turnover, good credit record and focus on product quality. We also intend to expand our customer base by continuing to explore new business opportunities and enhance market awareness of products manufactured by our Group through, among other means, strengthening our Group's sales and marketing teams and continue to actively participate in various trade fairs and exhibitions.

BUSINESS

Continuously expand our product range and model portfolio

We offer a wide variety of packaging products and maintain a comprehensive portfolio of over 1,500 models of packaging products. With our portfolio of existing designs and samples of packaging products, we are capable to offer comprehensive product development and manufacturing solution to our customers by developing and producing the final products for eventual mass production based on our customers' specifications and/or variations to the standard models in our products portfolio, which we believe shortens the lead time for product development.

To continue to leverage on our expertise in the design and development of packaging products, we aim to continuously expand our portfolio of packaging models with reference to market trends and through continued collaboration with our customers with a view to better understand the unique needs of their brands and to match different packaging products to their brand style. We also intend to enhance our product design and development capability by, amongst others, acquisition of new computer hardwares and softwares.

Maintain profitability through stringent cost-control policy

To reduce labour cost, maintain consistent product quality and reduce material wastage, semi-automatic machinery are utilised in two production processes, namely moulding injection machine for the moulding process and glue dispensers for the wrapping process, for the production of our products. We intend to maintain our ongoing efforts to exercise stringent cost control through the use of semi-automatic machinery in the production processes at the PRC Processing Factories to help maintain our profitability.

We evaluate and select our suppliers based principally on several criteria, namely on schedule delivery, product quality, pricing, sales services, payment terms and whether their management system accords with recognised industry standard such as REACH and RoHS. As part of our effort to control material costs without compromising product quality, we intend to actively approach and select suppliers who meet our above criteria and who, at the same time, offer competitive pricing.

With our capability to offer comprehensive product development and manufacturing solution to our customers, we are well-positioned to control and monitor material usage from the conceptual phase of product development to the manufacturing phase. We intend to continue to capitalise on our product development expertise to reduce material usage and wastage and maintain our profitability by controlling our material costs without compromising our product quality.

We believe that our cost control measures are one of the principal contributing factors to our success in maintaining our gross profit margin during the Track Record Period notwithstanding fluctuations to the global economy during the same period. We currently intend to regularly review and, where appropriate, adjust our cost control measures to suit our business needs.

BUSINESS MODEL

We are principally engaged in the development, manufacture, sourcing and sale of packaging products for watches, jewellery, eyewear products and other products, such as packaging cases (made of metal, plastic and paper), bags and pouches (made of artificial suede, imitation leather and other fabric materials) and display units for watches, jewellery and eyewear products (made of acrylic, wood, metal and other materials such as imitation leather).

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Our sales and marketing functions are principally carried out in Hong Kong by our Group's sales and marketing team to provide services to our customers worldwide. We also design and develop our packaging products in Hong Kong, while the sample making and the manufacturing operations of our Group's products are carried out in the PRC at the PRC Processing Factories under the PRC Processing Agreements.

Our Group has a diversified customer base and had a total of about 730 customers during the Track Record Period. Our customers include owners or carriers of internationally renowned brands for watches, jewellery and eyewear products and other customers such as traders of packaging products. We are engaged by our customers directly through their orders to manufacture or source packaging products based on the requirements of our customers, such as in respect of product outlook and dimensions, material, technical standard, labour conditions and/or product safety. Most of our packaging products are manufactured by us at the PRC Processing Factories and, in respect of some of the display units ordered by our customers which involve more complex manufacturing process or production materials, we also source such display units by engaging third party suppliers to manufacture such display units based on our Group's or our customers' product design and our customers' other requirements. Our revenue generated from the sales of products sourced by our Group from third party suppliers and not manufactured by our Group was about one-fifth of the total revenue for each of the years ended 31 December 2009, 2010 and 2011.

OUR PRODUCTS

Our products portfolio comprises principally packaging products for watches, jewellery and eyewear products, such as (1) packaging cases (made of metal, plastic and paper), (2) bags and pouches (made of artificial suede, imitation leather and other fabric material) and (3) display units for watches, jewellery and eyewear products (made of acrylic, wood, metal and other materials such as imitation leather). The following table sets forth a breakdown of our Group's sales by product category for each of the years ended 31 December 2009, 2010 and 2011:

	For the year ended 31 December					
	2009		2010		2011	
	Revenue	Percentage of	Revenue	Percentage of	Revenue	Percentage of
	<i>HK\$'000</i>	total revenue	<i>HK\$'000</i>	total revenue	<i>HK\$'000</i>	total revenue
Packaging cases	189,963	64.5%	242,576	62.0%	281,692	67.3%
Bags and pouches	13,287	4.5%	23,728	6.1%	17,127	4.1%
Display units	76,938	26.1%	105,007	26.9%	103,580	24.7%
Others (<i>note</i>)	14,483	4.9%	19,741	5.0%	16,261	3.9%
Total	<u>294,671</u>	<u>100%</u>	<u>391,052</u>	<u>100%</u>	<u>418,660</u>	<u>100%</u>

Note: "Others" include revenue generated from products/accessories such as cushions, booklets, cards, plastic tags and presentation materials, and other income such as artwork charges, mould charges and extra delivery charges.

BUSINESS

Our Group develops packaging products for our customers on an OEM basis based on our customers' requirements and specifications. Our Group also has a portfolio of over 1,500 standard models of products made of different materials (such as metal, plastic and paper), sizes and shapes. By varying the colours, exterior/interior materials and other additional features of these standard models, different designs can be produced. This method shortens design time as a customer can choose a standard model and specify the variations. This method also speeds up production preparation time as the moulds of these standard models are already available for use in production. Our customers may also request for a completely new design which is different from our standard models.

Our products can be broadly categorized into (i) packaging cases, (ii) bags and pouches, and (iii) display units for watches, jewellery and eyewear products.

(i) Packaging cases

Our Group, through the PRC Processing Factories, manufactures packaging cases for luxury consumer goods such as watches, jewellery and eyewear products. Our packaging cases are principally made of metal, plastic and paper, with different exterior and interior wrapping, padding, coating or finishes. The design of our cases may vary depending on the needs of our customers and the types of product for which they are required.



Note: The jewellery item shown above is for illustration purpose only and is not our product.

Our revenue generated from sales of packaging cases in 2009, 2010 and 2011 was about HK\$190.0 million, HK\$242.6 million and HK\$281.7 million, respectively, representing a CAGR of about 21.8% from 2009 to 2011. The percentage of our revenue attributable to sales of packaging cases was about 64.5%, 62.0% and 67.3% for 2009, 2010 and 2011, respectively.

(ii) Bags and pouches

The bags and pouches manufactured at the PRC Processing Factories for our Group are used as packaging items for goods such as watches, jewellery and eyewear products. The principal production materials used are artificial suede, imitation leather and other fabric. The design of our bags and pouches may vary according to the needs and specifications of our customers, having regard to the types of product for which they are required.

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Our revenue generated from sales of bags and pouches in 2009, 2010 and 2011 was about HK\$13.3 million, HK\$23.7 million and HK\$17.1 million, respectively, representing a CAGR of about 13.5% from 2009 to 2011. The percentage of our revenue attributable to sales of bags and pouches was about 4.5%, 6.1% and 4.1% for 2009, 2010 and 2011, respectively.

(iii) Display units

Our display unit products include window display for watches, jewellery and eyewear products which are used for display and presentation of these products for retail sales. The designs of such display units vary according to the specifications of our customers and the type of product for which the display units are required. Our display units may be made of acrylic, wood, metal and other materials such as imitation leather. While some of our display units are manufactured at the PRC Processing Factories, particularly for those display units with plastic parts that require plastic injection moulding process, a significant portion of the display units sold by us, in particular items (such as display platforms) which involve more complex manufacturing process or production materials, are sourced by us from third party suppliers who manufactures these products on our behalf.



Note: The jewellery items and eyewear products shown above are for illustration purpose only and are not our products.

Our revenue generated from sales of display units in 2009, 2010 and 2011 was about HK\$76.9 million, HK\$105.0 million and HK\$103.6 million, respectively, representing about 26.1%, 26.9% and 24.7% of our total revenue for the year ended 31 December 2009, 2010 and 2011, respectively.

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(iv) Other products

The other products which we manufacture at the PRC Processing Factories include accessories, such as cushions, plastic tags and presentation materials.



Our revenue generated from sales of other products and other income (comprising artwork charges, mould charges and extra delivery charges) in 2009, 2010 and 2011 was about HK\$14.5 million, HK\$19.7 million and HK\$16.3 million, respectively, representing a CAGR of about 6.0% from 2009 to 2011. The percentage of our revenue attributable to sales of other products such as accessories and other income was about 4.9%, 5.0% and 3.9% for 2009, 2010 and 2011, respectively.

DESIGN AND DEVELOPMENT

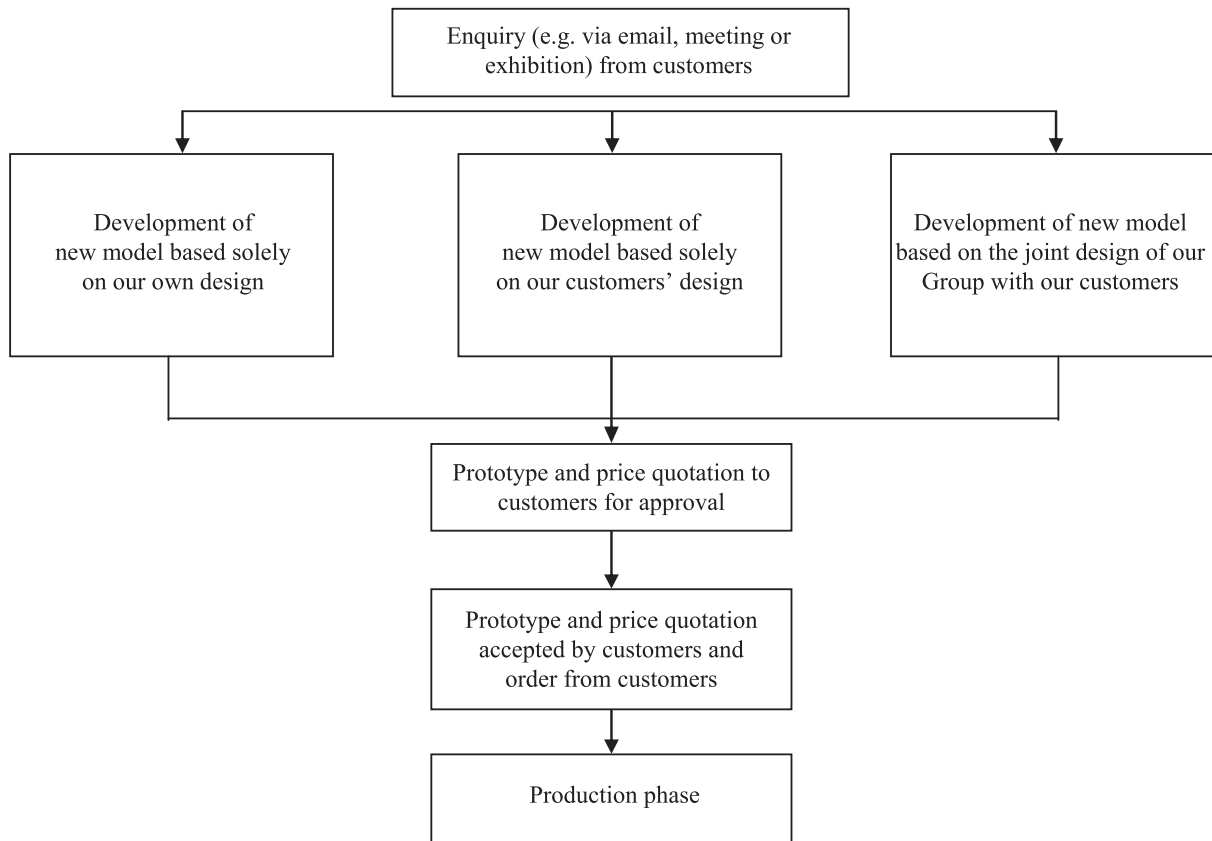
With our production and development capabilities, we are capable to offer comprehensive product development and manufacturing solution to our customers by developing and producing the final products for eventual mass production based on (i) proposal from our design team, (ii) our customers' specifications, or (iii) joint design with our customers. In general, we are responsible for developing the production plan for our customers by taking into account the technical, engineering aspects of the design.

We are capable of designing and developing our products on our own. We maintain our own portfolio of existing designs and samples of our products. We market these designs and samples to existing and potential customers, including through meeting with our customers and attending local and overseas exhibitions.

With over 1,500 models in our products portfolio as at 31 December 2011, our Group is capable of offering our standard models and samples of packaging products to our customers as base design to shorten development lead time of such products.

BUSINESS

The chart below sets forth a prototypical design and development cycle for a new model of our products.



During our design and/or development process, we communicate closely with our customers to ensure that our prototype is properly reflecting the idea behind the conceptual design of our customers after taking the structure, specification and production feasibilities into consideration. We also develop our price quotation on cost plus basis for approval by our customers. After our customers have approved our prototype and price quotation and confirmed order with us, our production coordination team will devise a product development plan to ensure that the product conforms with the design and standard of our customers and to maintain consistent product quality. The prototype will be used as a basis for production and a reference for quality control purposes. In respect of some of the display units to be sourced by us from third party suppliers, the creation of prototypes and samples will be undertaken by these third party suppliers based on our Group's or our customers' product design and our customers' other requirements.

We generally require our customers to bear the artwork charges and mould charges incurred in our product development processes.

From our experience, the lead time for product development normally spans 15 to 45 days for our products.

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Our Group employs three staff designers in Hong Kong who create prototypes in accordance with our customers' specifications and new collection of our products for display at exhibitions and trade fairs. Our staff designers are assisted by our sales and marketing team which acts as the key liaison with our customers and provide our staff designers with update customer and market information. Our design and sales team may also present drawings and samples of new design of packaging products to potential and existing clients with a view to obtaining new orders.

As at the Latest Practicable Date, we had not filed any patent for any design or mould we produced. Our customers' designs, logos, trademarks and other intellectual property rights are properties of our customers, and we are authorised to use the trademarks, logos, designs and other intellectual properties of our customers for the production of our products. We have devised and supervised the implementation of stringent measures by the PRC Processing Factories to ensure proper usage of our customers' intellectual property rights and confidential information. These measures include restrictions on access to computers and areas of production and/or storage facilities at the PRC Processing Factories which contain confidential information and/or intellectual property rights of our customers (such as product designs and drawings, metal plates, booklets, labels and stickers bearing logos or other information of our customers or their products), assigning specific authorised personnel to supervise the usage and storage of these information and materials, and cautious and proper measures in respect of the disposal of unused materials. During the Track Record Period and up to the Latest Practicable Date, no member of our Group was engaged in any litigation or arbitration for breach of confidentiality, and no litigation, arbitration or claim was known to our Directors to be pending or threatened by or against any member of our Group in relation to any alleged breach of our customers' intellectual property rights.

PRODUCTION PROCESSES

As at the Latest Practicable Date, the production of most of our packaging products was carried out in the PRC Processing Factories under the PRC Processing Agreements. Details of the PRC Processing Agreements are set forth under the paragraph headed "Production facilities — PRC Processing Agreements" below.

In respect of some of our display units which involve more complex manufacturing process or production materials, we also source these display units from third party suppliers. Please refer to the paragraph headed "Procurement, production materials and supply chain management" in this section for further information about the sourcing of these display units.

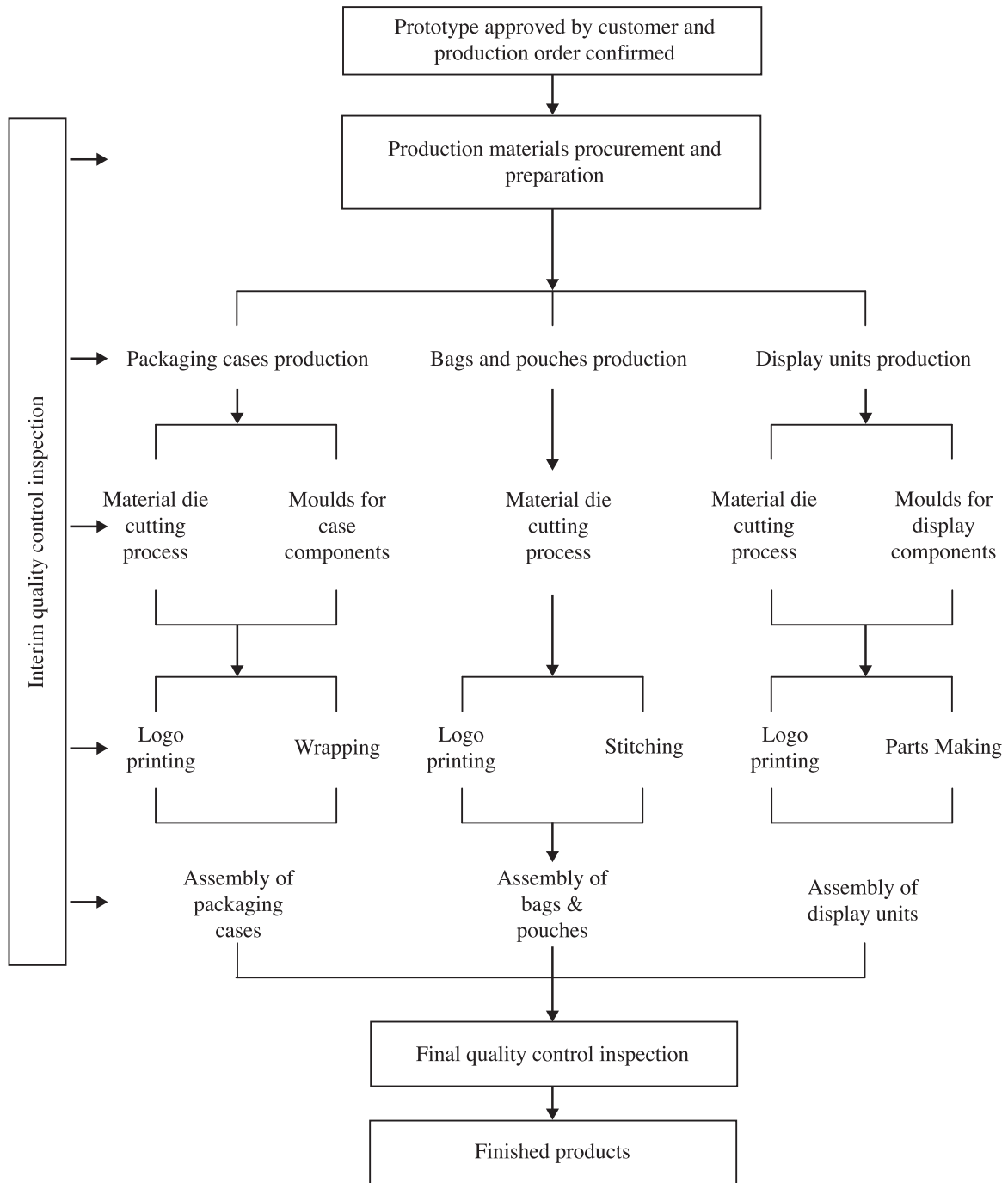
Our production operations at the PRC Processing Factories are vertically integrated and we believe that it contributes to better overall control on material usage and production lead time.

Different products manufactured by our Group through the PRC Processing Factories involve different designs, materials, component parts, technical standards and production processes. The production of packaging cases, bags and pouches and display units principally involves assembly of component parts made of paper, metal and plastic as the key production materials.

The following flow chart is an illustration of the principal stages involved in the production of packaging cases, bags and pouches and display units.

BUSINESS

Prototypical production flow for packaging cases, bags and pouches and display units



Note: The chart above illustrates the major steps for a prototypical production flow only, and different models of products may involve different materials, components, specifications and designs which involve different manufacturing processes.

BUSINESS

To enhance production efficiency, two of the key production processes, namely moulding and wrapping, involve semi-automation. As at the Latest Practicable Date, we had 37 moulding injection machines for the production of plastic product components, and 15 glue dispensers for the wrapping processes, to enhance production efficiency, reduce material wastage and reduce the number of production workers involved.

Production begins after our customer has confirmed our prototype and placed order with us. Typically, the time required for order placement to shipment of finished product ranges from two to three months for packaging products.

Packaging cases

For the production of metal or plastic packaging cases, the production process begins with the creation of a mould. After the mould is created, the body of the packaging case is produced by (a) the stamping of a sheet of metal, in the case of metal packaging cases, or (b) plastic injection moulding, in the case of plastic packaging cases, onto the mould. For the production of paper packaging cases, the production process begins with die-cutting of paper materials. The body of the metal, plastic and paper packaging case could be wrapped with exterior materials such as leatherette paper or artificial suede. If required, the customer's name or logo could be stamped on the required position. The inside part of the packaging case could be lined with materials such as satin and other fabric, according to customer's specifications. For some designs, hinges could be fixed onto the box. The whole packaging case is then thoroughly cleaned.

Bags and pouches

The production process begins with the die cutting of material (such as artificial suede, imitation leather and other fabric material) into the appropriate shapes according to the design of the bag or pouch. If required, the customer's name or logo is then stamped onto the bag or pouch. The material is then stitched together to form the bag or pouch.

Display units

The production process for display units is largely dependent on customers' specifications which can vary significantly, and in general involves the die cutting of materials and/or moulding of components. The materials used are mainly acrylic, wood, metal and other materials such as imitation leather.

In general, the production process of all the products of our Group is labour intensive and requires skilful craftsmanship by the production personnel.

Sub-contracting

During the Track Record Period, Zhongshan Processing Factory had also engaged Independent Third Parties and Guanlan Processing Factory as sub-contractors to carry out certain production work mainly when the particular model of product involves production processes, such as the spraying of paints, which could not be performed at Zhongshan Processing Factory. Such sub-contracting arrangements are made by way of entering into individual sub-contracting agreements.

BUSINESS

Under the relevant PRC laws and regulations, a processing factory may sub-contract processing work to other sub-contractors, and upon completion of the sub-contracting processing, the processed products shall be returned to the processing factory. In practice, the work-in-progress of Zhongshan Processing Factory is delivered to its sub-contractors for processing and returned to Zhongshan Processing Factory after the specified production processes are performed.

During each of the years ended 31 December 2009, 2010 and 2011, Zhongshan Processing Factory incurred sub-contracting fees of about HK\$7.0 million, HK\$12.7 million and HK\$15.9 million, respectively. Our Directors understand that the sub-contracting fees were determined by reference to the complexity of the product, costs of materials and other labour and utility costs. Such sub-contracting fees were included as part of the processing fees payable to Zhongshan Processing Factory, which in turn formed part of our cost of sales. The aforementioned sub-contracting fees represented about 2.9%, 4.0% and 4.8% of our costs of sales for each of the years ended 31 December 2009, 2010 and 2011, respectively. Our Directors confirm that, to the best of their knowledge, Zhongshan Processing Factory had no material dispute with the sub-contractors during the Track Record Period and up to the Latest Practicable Date.

As advised by our PRC legal advisers, during the Track Record Period, certain sub-contracting arrangements made by Zhongshan Processing Factory were not in compliance with the relevant PRC laws and regulations. Details of such legal non-compliance are set out in the paragraph headed “Non-compliance and legal proceedings” below.

PRODUCTION FACILITIES

Our Group’s manufacturing operations are carried out in two production facilities in the PRC, namely Zhongshan Processing Factory and Guanlan Processing Factory, under the PRC Processing Agreements for manufacturing our products.

Zhongshan Processing Factory and Guanlan Processing Factory are both situated in Guangdong Province of the PRC. We own the land, buildings and production equipment used by Zhongshan Processing Factory and all the production equipment used by Guanlan Processing Factory, while the land and buildings used by Guanlan Processing Factory are leased to us from Guanlan Development Ltd. (as defined below) under long term lease. Details of our interests in lands and buildings in the PRC are set out under the paragraph headed “Properties” below.

Zhongshan Processing Factory

Our manufacturing activities in Sanjiao Town, Zhongshan, Guangdong Province, the PRC are undertaken through Zhongshan Processing Factory under the Zhongshan Processing Agreement. Details of the Zhongshan Processing Agreement are set forth in the paragraph headed “PRC Processing Agreements” below. Zhongshan Processing Factory is situated at a site with aggregate site area of about 80,000 sq.m. and has 19 buildings erected thereon, comprising factory buildings, warehouse, staff quarters and other ancillary buildings with an aggregate gross floor area of about 59,016 sq.m.

BUSINESS

Pursuant to the Zhongshan Processing Agreement, Zhongshan Processing Factory (as the processing agent) shall provide, among others, the factory premises for production of our products. To secure the continuing use of the factory premises at Zhongshan Processing Factory and avoid any disruption of operation of our Group, as at the Latest Practicable Date, the premises used by Zhongshan Processing Factory were owned by our Group. As advised by our PRC legal advisers, there is no mandatory requirement under the PRC laws and regulations in relation to contract processing arrangement in the PRC as to whether the responsibility of providing factory premises shall fall on the PRC party or foreign party to a contract processing arrangement. The relevant PRC laws and regulations also do not prohibit the foreign party to a contract processing arrangement or its related party from providing factory premises at nil consideration. Our PRC legal advisers also take the view that as the Zhongshan Processing Agreement does not prohibit the provision of factory premises by our Group for use by Zhongshan Processing Factory, the aforesaid arrangement does not constitute a breach of the Zhongshan Processing Agreement, and the ultimate responsibility to provide factory premises shall still be borne by the PRC party under the Zhongshan Processing Agreement. As advised by our PRC legal advisers, the aforesaid arrangement will not constitute a violation of the relevant PRC laws and regulations relating to the processing trade and will not invalidate the Zhongshan Processing Agreement.

As advised by our PRC legal advisers, Zhongshan Processing Factory is a legal entity (企業法人) under the PRC law with its civil capability, and is capable of enjoying its civil rights and assuming any civil liability on its own. Zhongshan Processing Factory is not privately owned or state-owned but collectively owned and its investor is 中山市三角鎮新鋒村民委員會 (Villagers' Committee of Xinfeng Village, Sanjiao Town, Zhongshan City*), an Independent Third Party. The principal activities of Zhongshan Processing Factory are the processing of cases and bags.

As at 31 December 2011, the Zhongshan Processing Factory had over 1,200 personnel. As disclosed in the section headed "Financial information" in this prospectus, the processing fees to Zhongshan Processing Factory incurred by our Group were about HK\$48.5 million, HK\$67.4 million and HK\$72.3 million for each of the years ended 31 December 2009, 2010 and 2011, respectively.

As advised by our PRC legal advisers, as at the Latest Practicable Date, Zhongshan Processing Factory had obtained all necessary licences, certificates, approvals and permits for the manufacturing of our packaging products.

Guanlan Processing Factory

Our manufacturing operations at Guanlan Town, Baoan District, Shenzhen, the PRC are undertaken through Guanlan Processing Factory under the Guanlan Processing Agreement. Details of the Guanlan Processing Agreement are set forth in the paragraph headed "PRC Processing Agreements" below. Guanlan Processing Factory comprises six buildings including factory buildings, staff quarters and other ancillary buildings with an aggregate gross floor area of about 10,018 sq.m.

BUSINESS

Pursuant to the Guanlan Processing Agreement, Guanlan Development Co. (as the PRC party) shall provide, among others, the factory premises for production of our products. To secure the continuing use of the factory premises at Guanlan Processing Factory and avoid any disruption of operation of our Group, as at the Latest Practicable Date, the premises used by Guanlan Processing Factory were leased by our Group under long term leases from Guanlan Development Ltd. As advised by our PRC legal advisers, there is no mandatory requirement under the PRC laws and regulations in relation to contract processing arrangement in the PRC as to whether the responsibility of providing factory premises shall fall on the PRC party or foreign party to a contract processing arrangement or its related party. The relevant PRC laws and regulations also do not prohibit the foreign party to a contract processing arrangement or its related party from providing factory premises at nil consideration. Our PRC legal advisers take the view that as the Guanlan Processing Agreement does not prohibit the provision of factory premises by our Group for use by Guanlan Processing Factory, the aforesaid arrangement does not constitute a breach of the Guanlan Processing Agreement, and the ultimate responsibility to provide factory premises shall still be borne by the PRC party under the Guanlan Processing Agreement. As advised by our PRC legal advisers, the aforesaid arrangement will not constitute a violation of the relevant PRC laws and regulations relating to the processing trade and will not invalidate the Guanlan Processing Agreement.

As advised by our PRC legal advisers, Guanlan Processing Factory is not a legal entity (企業法人) under the PRC law and therefore is incapable of assuming any civil liability on its own. The founder of Guanlan Processing Factory is Guanlan Development Ltd. (as defined below), which is a collectively-owned limited liability company. The shareholders of Guanlan Development Ltd. are 深圳市觀瀾經濟發展有限公司工會委員會 (Labor Union Committee of Guanlan Development Ltd.*) and 深圳市寶安區觀瀾投資管理公司 (Guanlan Investment Management Company of Baoan District of Shenzhen City*), which is a collectively-owned company. Both shareholders of Guanlan Development Ltd. are Independent Third Parties. The principal activities of Guanlan Processing Factory are the processing of watch boxes and jewellery boxes, and the business scope of Guanlan Development Ltd. includes establishment of businesses (subject to separate approval), domestic sale and distribution of merchandise (not including licensed or controlled commodities) and property management.

As at 31 December 2011, Guanlan Processing Factory had over 400 personnel. As disclosed in the section headed “Financial information” in this prospectus, the processing fees to Guanlan Processing Factory incurred by our Group were about HK\$19.7 million, HK\$25.7 million and HK\$23.8 million for each of the years ended 31 December 2009, 2010 and 2011, respectively.

As advised by our PRC legal advisers, as at the Latest Practicable Date, Guanlan Processing Factory had obtained all necessary licences, certificates, approvals and permits for the manufacturing of packaging and display unit products.

Production capacity and utilisation rates of production facilities

During the Track Record Period, packaging cases accounted for over 60% of our Group’s sales by product category. Among which, we estimate that based on the core constituent material of product, plastic and paper packaging cases (being packaging cases with plastic or, as the case may be, paper as the core constituent material) were the two most significant products by material type in terms of sales value and volume, with a trend of increasing contribution from plastic packaging cases during this period. We estimate that for the year ended 31 December 2011, plastic packaging cases accounted for the majority of our sales of packaging cases in terms of sales value and volume and was the most significant among our major product types.

BUSINESS

Due to the diversity of our products with different complexities and production processes, and the fact that the production lines at the PRC Processing Factories operated under the PRC Processing Agreements can be modified to accommodate the production of different products, our Directors consider an estimate in terms of units of products manufactured cannot accurately reflect the production capacity of our Group through the PRC Processing Factories. Our production capacity of plastic packaging cases through the PRC Processing Factories is subject to, among other factors, the capacity of the PRC Processing Factories to perform plastic injection moulding (being the most critical process for the production of plastic packaging cases), which in turn is determined by the number of injection moulding machines at the PRC Processing Factories and the daily maximum operating time of such machines. In this connection, our Directors consider that an estimate of our production capacity through the PRC Processing Factories in terms of machine hour of our injection moulding machines to be more representative. On the basis that each of our injection moulding machines at the PRC Processing Factories can operate 22 hours each day and 20 days each month (which our Directors consider to be the optimal operating hours for each machine each day and after taking into account the temporary factory closure during the Chinese New Year holidays and other statutory holidays in the PRC, and stoppage time for regular maintenance), the annual production capacity of our Group through the PRC Processing Factories in terms of machine hour of all injection moulding machines, and the average utilisation rates thereof for each of the years ended 31 December 2009, 2010 and 2011, are set out as follows:

	For the year ended 31 December		
	2009	2010	2011
	(machine hours)	(machine hours)	(machine hours)
Injection moulding			
Annual production capacity	195,360	195,360	195,360
	For the year ended 31 December		
	2009	2010	2011
	(%)	(%)	(%)
Average utilisation rates (<i>Note 1</i>)	75 (<i>Note 2</i>)	89 (<i>Note 3</i>)	84 (<i>Note 4</i>)

Notes:

1. Average utilisation rates are calculated by dividing (i) the estimated total number of hours that our Group's injection moulding machines were actually operated during the relevant year with (ii) the annual production capacity (as expressed in machine hours) of our Group through the PRC Processing Factories during the relevant year.
2. Among the three years comprising the Track Record Period, 2009 recorded the lowest average utilisation rate of our injection moulding machines at the PRC Processing Factories. Our Directors take the view that this reflects the relatively lower demand for our products in 2009 as a result of the drop in global demand for luxury consumer products such as watches, jewellery and eyewear products due to global economic crisis in the same year.

BUSINESS

3. The increase in the average utilisation rate of our injection moulding machines at the PRC Processing Factories from about 75% for the year ended 31 December 2009 to about 89% for the year ended 31 December 2010 was mainly attributable to the increase in demand for our products in 2010 as compared to 2009, as demonstrated by the increase in our revenue from about HK\$294.7 million for the year ended 31 December 2009 to about HK\$391.1 million for the year ended 31 December 2010.
4. The average utilisation rate of our injection moulding machines at the PRC Processing Factories was about 84% for the year ended 31 December 2011, which was slightly lower than that for the year ended 31 December 2010. Our Directors take the view that the average utilisation rate figure for 2010 was higher than that in 2011 due to our customers' need to replenish their inventories in 2010 in the aftermath of the global economic crisis in 2009, which led to greater demand for our products and hence our production capacity through the PRC Processing Factories in 2010 as compared to 2011.

PRC Processing Agreements

Our manufacturing operations at Zhongshan Processing Factory and Guanlan Processing Factory are currently undertaken under the Zhongshan Processing Agreement and Guanlan Processing Agreement, respectively. The principal terms of these PRC Processing Agreements are summarised below.

(i) *Zhongshan Processing Agreement*

- Current contracting parties:
- (a) Zhongshan Processing Factory (an Independent Third Party) as processing agent
 - (b) Qualipak Manufacturing as foreign party (after substituting Qualipak Fortune as party to the Zhongshan Processing Agreement pursuant to a supplemental agreement dated 26 March 2008)
 - (c) 中山市三角進出口貿易公司(Zhongshan Sanjiao Import Export Trade Company*) (“**Zhongshan Trade Company**”) (an Independent Third Party) as business agent (after substituting 中山市對外加工裝配服務公司 (Zhongshan Foreign Processing Service Company*), an Independent Third Party, as party to the Zhongshan Processing Agreement pursuant to a supplemental agreement dated 16 February 2006)
- Date: 20 March 2001 (as supplemented and renewed from time to time)
- Duration: 20 March 2001 to 3 March 2015

BUSINESS

- Responsibilities:
- (a) The processing agent, Zhongshan Processing Factory, shall provide the factory premises, labour, water and electricity for production of plastic boxes, wooden boxes, paper boxes, iron boxes, bags (including velvet, fabric, paper and leatherette bags), wooden products, paper covers and accessories, plastic products, paper products (including gift boxes, gift sets, window display stands, window display decorations, price tags), metallic products and plastic toys, and all the processed products shall be passed to the foreign party for its export sales.
 - (b) The foreign party, Qualipak Manufacturing, shall (i) provide machinery and equipment (for the use by Zhongshan Processing Factory, and the ownership of the machinery and equipment belongs to our Group), (ii) provide production materials, ancillary materials and packaging materials, (iii) procure its technical staff to install equipment at the processing factory and provide technical guidance and training to factory workers, and (iv) provide supervision over quality control of the finished products.
 - (c) The business agent, Zhongshan Trade Company, shall, as advised by our PRC legal advisers, assist in completing foreign exchange clearance of the processing fees payable by the foreign party to the processing factory.
- Approving authority(ies):
- 廣東省對外貿易經濟合作廳 (Department of Foreign Trade and Economic Cooperation of Guangdong Province*), a competent authority as advised by our PRC legal advisers, approved the original Zhongshan Processing Agreement.
- 中山市對外貿易經濟合作局 (Zhongshan Bureau of Foreign Trade and Economic Cooperation*) a competent authority as advised by our PRC legal advisers, approved the amendments and supplements to the original Zhongshan Processing Agreement.
- As advised by our PRC legal advisers, the approving authorities for the original agreement and the amendments and supplements to the Zhongshan Processing Agreement are different because the original approving authority, Department of Foreign Trade and Economic Cooperation of Guangdong Province, had, subsequent to its approval of the original Zhongshan Processing Agreement, delegated the authority to approve processing agreements in Zhongshan City to Zhongshan Bureau of Foreign Trade and Economic Cooperation.

BUSINESS

Renewal and termination:	<p>For renewal or termination of the Zhongshan Processing Agreement, either party shall negotiate and confirm with each other three months prior to the proposed renewal or termination. In the event one party terminates the Zhongshan Processing Agreement unilaterally, such party shall compensate for the loss of the other party.</p>
Extension of terms:	<p>The original term of the Zhongshan Processing Agreement was from 20 March 2001 to 3 March 2006.</p> <p>By a supplemental agreement dated 29 December 2005, the parties to the Zhongshan Processing Agreement agreed to further extend the expiry date of the Zhongshan Processing Agreement from 3 March 2006 to 3 March 2011.</p> <p>By a further supplemental agreement dated 10 December 2010, the parties to the Zhongshan Processing Agreement agreed to further extend the expiry date of the Zhongshan Processing Agreement from 3 March 2011 to 3 March 2013.</p> <p>By a further supplemental agreement dated 9 September 2011, the parties to the Zhongshan Processing Agreement agreed to further extend the expiry date of the Zhongshan Processing Agreement from 3 March 2013 to 3 March 2015.</p>
Processing fee:	<p>Processing fees are payable based on production orders received, calculated with reference to the complexity of product design and production processes involved. Payment shall be made within 15 days after shipment date.</p> <p>In practice, as the factory premises used by Zhongshan Processing Factory are provided by our Group at nil consideration, our Group has already factored this into the calculation of the processing fees payable by our Group when our Group negotiate such fees with Zhongshan Processing Factory on a order-by-order basis. The processing fees are inclusive of, among others, the wages of workers and utilities costs incurred by the Zhongshan Processing Factory.</p>

BUSINESS

As advised by our PRC legal advisers, Zhongshan Processing Factory has obtained its own enterprise legal entity business licence (企業法人營業執照) from the local administration of industry and commerce in the PRC and has its civil capability and is capable of enjoying its civil rights and assuming civil liability on its own. It was invested and established by 中山市三角鎮新鋒村民委員會 (Villagers' Committee of Xinfeng Village, Sanjiao Town, Zhongshan City*), an Independent Third Party. Accordingly, Zhongshan Processing Factory is a separate legal entity (企業法人) from our Group, and legal liabilities arising from its production processes, including but not limited to taxation, customs, foreign exchange, labour, safety, social insurance, housing provident fund, product quality and environmental protection, are to be borne by Zhongshan Processing Factory.

As advised by our PRC legal advisers, the business agent, Zhongshan Trade Company, is a limited liability company which is ultimately owned by 三角鎮政府 (People's Government of Sanjiao Town*) and 三角鎮經濟聯合總社 (Society of Sanjiao Town Economic Union*), which are Independent Third Parties. The business scope of Zhongshan Trade Company includes, amongst others, undertaking processing arrangements, signing processing agreements and handling relevant imports and exports procedures.

(ii) *Guanlan Processing Agreement*

- Current contracting parties:
- (a) 寶安縣觀瀾鎮經濟發展總公司 (Baoan Guanlan Economic Development Limited*) whose name was subsequently changed to 深圳市觀瀾經濟發展有限公司 (Shenzhen Guanlan Economic Development Limited*) ("**Guanlan Development Ltd.**"), an Independent Third Party, as the PRC party
 - (b) Qualipak Manufacturing as foreign party (after substituting Qualipak Production as a party to the Guanlan Processing Agreement pursuant to a supplemental agreement dated 26 March 2008)
 - (c) Guanlan Processing Factory as processing agent
 - (d) 深圳市寶安外經發展有限公司 (Shenzhen Baoan Foreign Economic Development Company*) ("**Baoan Development Company**"), an Independent Third Party, as business agent

Date: 11 June 1991 (as supplemented and renewed from time to time)

Duration: 11 June 1991 to 30 June 2015

BUSINESS

- Responsibilities:
- (a) Guanlan Development Ltd., the PRC party of Guanlan Processing Factory, shall (i) provide the factory premises, labour, water and electricity utilities, (ii) assist the foreign party, Qualipak Manufacturing, in import and export clearance, (iii) nominate the factory head, accountant and warehouse keeper for the management of the processing factory, and (iv) pass all processed goods to the foreign party for export to Hong Kong or other countries.
 - (b) The foreign party, Qualipak Manufacturing, shall (i) provide machinery and equipment (for the use by Guanlan Processing Factory, and the ownership of the machinery and equipment belongs to our Group), (ii) provide production materials, ancillary materials and packaging materials, (iii) pay all processing fees due and payable from time to time, (iv) make periodic payments of processing fees to the processing agent, Guanlan Processing Factory, for use of the factory premises and production space at a fixed monthly fee which may be adjusted with reference to inflationary rate every two years, (v) pay for all expenses of water and electricity consumed by the processing factory, (vi) procure its technical staff to install equipment at the processing factory and provide technical guidance and training to factory workers.
 - (c) The business agent, Baoan Development Company, shall, as advised by our PRC legal advisers, assist in completing foreign exchange clearance of the processing fees payable by the foreign party to the processing factory.
- Renewal and termination:
- For renewal or termination of the Guanlan Processing Agreement, either party shall negotiate and confirm with each other three months prior to the proposed renewal or termination. In the event one party terminates the Guanlan Processing Agreement unilaterally, such party shall compensate for the loss of the other party.
- Extension of terms:
- The original term of the Guanlan Processing Agreement was from 11 June 1991 to 11 June 1996.
- By a supplemental agreement dated 26 June 1996, the parties to the Guanlan Processing Agreement agreed to extend the term of the Guanlan Processing Agreement for five years with expiry on 30 June 2001.

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By a supplemental agreement dated 10 April 2001, the parties to the Guanlan Processing Agreement agreed to further extend the term of the Guanlan Processing Agreement for five years with expiry on 30 June 2006.

By a supplemental agreement dated 23 May 2005, the parties to the Guanlan Processing Agreement agreed to further extend the term of the Guanlan Processing Agreement for five years with expiry on 30 June 2011.

By a supplemental agreement dated 9 August 2010, the parties to the Guanlan Processing Agreement agreed to further extend the term of the Guanlan Processing Agreement for one year with expiry on 31 December 2012.

By an extension agreement dated 20 October 2011, the parties to the Guanlan Processing Agreement agreed to further extend the term of the Guanlan Processing Agreement for three years with expiry on 30 June 2015.

Approving authority(ies):

深圳市寶安縣對外經濟發展局 (Shenzhen Baoan Foreign Economic Development Bureau*), 深圳市寶安區經濟發展局 (Shenzhen Baoan Economic Development Bureau*), 深圳市寶安區經濟貿易局 (Shenzhen Baoan Economic and Trade Bureau*) and 深圳市寶安區貿易工業局 (Shenzhen Baoan Trade and Industry Bureau*), each being a competent authority as advised by our PRC legal advisers, approved (as the case may be) the Guanlan Processing Agreement and the amendments and supplements thereto.

As advised by our PRC legal advisers, the approving authorities for the original agreement and the amendments and supplements to the Guanlan Processing Agreement are different because the approving authorities had been changed due to the reform of government institutions.

Processing fee:

Processing fees are payable based on production orders received, calculated with reference to the product type, specifications, design and complexity of production processes involved. Processing fees shall include, among others, wages of workers and utilities costs. Processing fees payable shall be paid on a monthly basis.

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In practice, as the factory premises used by Guanlan Processing Factory are leased by our Group from Guanlan Development Ltd., our Group has already factored this into the calculation of the processing fees payable by our Group when our Group negotiate such fees with Guanlan Processing Factory on an order-by-order basis.

Our Directors understand that as PRC processing factories were commonly established in the 1990s in the form of a non-independent legal entity without the enterprise legal entity business licence (企業法人營業執照), Guanlan Processing Factory was chosen to be established in such a form. As advised by our PRC legal advisers, as the Guanlan Processing Factory has not been established as a legal entity (企業法人) with its own enterprise legal entity business licence (企業法人營業執照), it is currently not possible to change the legal form of the Guanlan Processing Factory to the one similar to that of the Zhongshan Processing Factory which is an independent legal entity. We have been advised by our PRC legal advisers that it is permissible under the applicable PRC laws and regulations for Guanlan Processing Factory to be established as a non-independent legal entity without its own enterprise legal entity business licence, and accordingly, Guanlan Processing Factory is not regarded as a legal entity (企業法人) under the PRC law and it does not have the civil capability to assume any civil liability on its own. As advised by our PRC legal advisers, in respect of a contract processing factory which does not have a legal entity status, it is the judicial practice of the PRC that the foreign party to the contract processing agreement will be deemed to be jointly liable for the civil liabilities owing by the contract processing factory to any third party, and the foreign party thereunder shall be jointly liable if and to the extent that such liabilities cannot be met by the assets of the contract processing factory.

As advised by our PRC legal advisers, based on the terms of the Guanlan Processing Agreement and the aforesaid judicial practice in the PRC, it is the contractual obligation of our Group to be jointly liable with the Guanlan Processing Factory in respect of the liabilities of Guanlan Processing Factory owing to any third party arising under or in connection with the performance of its duties under the Guanlan Processing Agreement and our Group shall assume such liabilities if and to the extent that such liabilities cannot be met by Guanlan Processing Factory out of its own assets. However, as advised by our PRC legal advisers, our Group is not entitled to be reimbursed for any such liabilities of Guanlan Processing Factory assumed by our Group, nor can our Group set off any assumed liabilities against processing fees payable to Guanlan Processing Factory under the Guanlan Processing Agreement.

During the Track Record Period and up to the Latest Practicable Date, our Group had not assumed any liabilities of Guanlan Processing Factory notwithstanding the above. The production costs incurred by the PRC Processing Factories, including direct labour costs, sub-contracting fees, utilities costs, and overheads in relation to their performances as required under the PRC Processing Agreements are borne by and therefore accounted for in the accounts of our Group through the processing fees charged by the PRC Processing Factories. Taking into account that the Guanlan Processing Factory is separate from and not owned by our Group, and it is the contractual obligation of our Group to assume such liabilities of Guanlan Processing Factory if and to the extent that the liabilities cannot be met by Guanlan Processing Factory as and when they fall due and all such liabilities would be fully accounted for in the accounts of our Group should these circumstances arise, our Directors consider that the aforementioned contractual obligation itself would not have any impact on the adopted accounting policies to the Guanlan Processing Factory, which is concurred by our reporting accountants.

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As advised by our PRC legal advisers, the business agent, Baoan Development Company, is ultimately owned by 深圳市寶安區人民政府 (Shenzhen Municipality Baoan District People's Government*), an Independent Third Party. The business scope of Baoan Development Company includes, amongst others, negotiation, consultation, and foreign exchange operations within the Baoan District, establishment of businesses (subject to separate approval) and domestic sale and distribution of commercial materials.

Whilst the PRC Processing Agreements do not provide for exclusivity in the processing arrangement, so far as we are aware of, the PRC Processing Factories had not, during the Track Record Period, provided their processing services to any party other than our Group.

As advised by our PRC legal advisers, each of the PRC Processing Agreements are valid and subsisting and are binding on the parties thereto under the laws of the PRC.

As advised by our PRC legal advisers, subject to any changes to the laws and regulations, there is no mandatory obligation under the prevailing laws and regulations in the PRC for the transformation of all of contract processing enterprises into foreign owned enterprises within a specified time, and there is no prohibition under the prevailing PRC laws and regulations against the renewal of the processing agreements by these contract processing enterprises upon expiry, there is no substantive legal impediment in relation to the renewal of the PRC Processing Agreements upon their expiry.

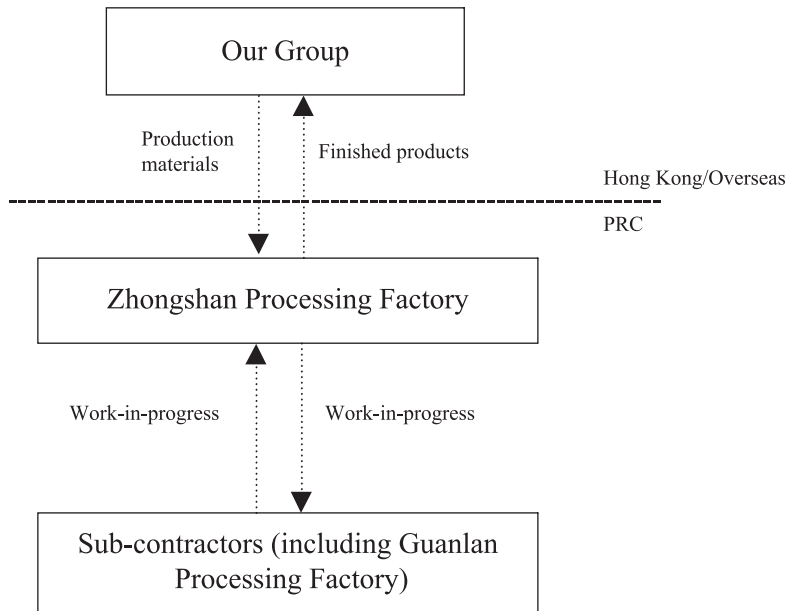
During the Track Record Period and up to the Latest Practicable Date, there had not been any material breach of the PRC Processing Agreements by our Group and, so far as we are aware of, by the relevant counterparties to the PRC Processing Agreements.

Processing arrangements

Our Group's manufacturing operations are carried out by the PRC Processing Factories under the contract processing arrangement, pursuant to which the PRC Processing Factories receive the production materials from our Group and produce finished goods at their production premises, with some production procedures of Zhongshan Processing Factory outsourced to other sub-contractors in the PRC or Guanlan Processing Factory at specified sub-contracting costs. Details of the sub-contracting arrangements is set out under the paragraph headed "Production processes - Sub-contracting" above. After production, the PRC Processing Factories then export the finished products to our Group for delivery to our customers. There is no transfer of ownership of inventory from our Group to the PRC Processing Factories under the PRC Processing Agreements. The following flow charts illustrate our Group's processing arrangement with the Zhongshan Processing Factory and Guanlan Processing Factory, respectively, in terms of the flow of materials and transfer of ownership.

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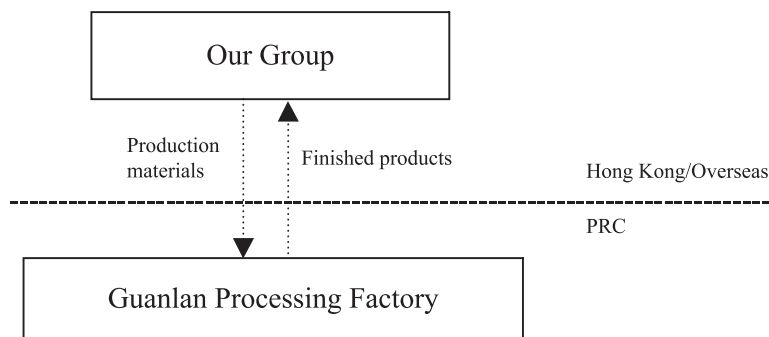
Processing arrangement with Zhongshan Processing Factory



..... No transfer of ownership of inventory occurs, as Zhongshan Processing Factory and sub-contractors (including Guanlan Processing Factory) (if any) provide processing services only and no sales and/or purchases of the inventory of production materials, work-in-progress and/or finished products by our Group or Zhongshan Processing Factory and sub-contractors (including Guanlan Processing Factory) (if any) have been involved.

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Processing arrangement with Guanlan Processing Factory



..... No transfer of ownership of inventory occurs, as Guanlan Processing Factory provides processing services only and no sales and/or purchases of the inventory of production materials and/or finished products by our Group or the Guanlan Processing Factory have been involved.

During the Track Record Period, the processing fees in respect of the PRC Processing Factories mainly included labour cost, sub-contracting fees, utilities costs and other overheads incurred by the PRC Processing Factories and amounted to about HK\$68.2 million, HK\$93.0 million and HK\$96.1 million for each of the years ended 31 December 2009, 2010 and 2011, respectively. In addition to the processing fees, our Group is also responsible for other factory overheads including, among others, auxiliary tools and consumables, packing materials expenses, staff cost in relation to the personnel employed by us to oversee the operation of the PRC Processing Factories and depreciation and amortisation expenses. For each of the years ended 31 December 2009, 2010 and 2011, such other factory overheads amounted to about HK\$27.5 million, HK\$32.6 million and HK\$29.5 million, respectively. During the Track Record Period, there has not been any material dispute between our Group and the PRC Processing Factories on the amounts of processing fees payable by the Group.

Implications of PRC processing trade laws and regulations

As set out in the section headed “Regulatory overview - Processing trade” in this prospectus, the PRC state classifies processing trade import merchandise is classified into three categories, namely, the prohibited category, the restricted category and the permitted category, and processing trade business involving imported materials and parts under the prohibited category is prohibited. If the import merchandise belongs to the restricted category, the operating enterprise or the processing factory shall pay security deposit to the PRC customs; if the import merchandise belongs to the permitted category, no security deposit is required to be paid to the PRC customs. The processing trade import merchandise shall be subject to the inspection and supervision of the PRC customs. Before subcontracting the processing work of their products to other sub-contractors, the processing factory shall obtain the approval from the PRC customs. Upon completion of the subcontracted processing work, the processed products shall be returned to the processing factory.

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As advised by our PRC legal advisers, the imported materials and parts involved in the manufacturing of our products through Zhongshan Processing Factory fall into either the restricted categories or permitted categories, while those for Guanlan Processing Factory fall into the permitted category. Zhongshan Processing Factory is therefore required to pay security deposit to the PRC customs in respect of the import of materials and parts falling into the restricted category. The import merchandise for the purpose of the manufacturing of our products at the PRC Processing Factories are also subject to the inspection and supervision of the PRC customs. The PRC Processing Factories shall also obtain approval from the PRC customs for sub-contracting the processing work to other sub-contractors. During the Track Record Period, Zhongshan Processing Factory had failed to seek approval from the local PRC customs authority in respect of certain sub-contracting arrangements. Please refer to the paragraph headed “Non-compliance and legal proceedings - Non-compliance with PRC laws and regulations - (i) Non-compliance with PRC customs laws and regulations” below for details.

PROCUREMENT, PRODUCTION MATERIALS AND SUPPLY CHAIN MANAGEMENT

Production materials and components required for our products include resin, paper, metal, imitation leather, fabric and other materials such as acrylic and various types of exterior materials and consumables such as chemicals, packaging materials and tools.

For each of the years ended 31 December 2009, 2010 and 2011, our costs of production materials and procurement, represented about 59.8%, 60.2% and 62.2% of our total costs of sales, respectively. There has not been any major fluctuation in the prices of the major production materials used by our Group during the Track Record Period, except that the prices of metal and resin had recorded relatively significant increases. In general, we may negotiate with our customers for upward adjustment of our price quotations in the event of significant increase in costs of production materials.

Apart from production materials and components, in respect of some of the display units for watches, jewellery, eyewear products and other products required by our customers (such as display platforms) which involve more complex manufacturing process or production materials, we do not manufacture these display units ourselves through the PRC Processing Factories in light of cost-efficiency but engage third party suppliers to manufacture these display units on our behalf. During the Track Record Period, we sourced a significant portion of these display units from a third party supplier, which was our top supplier for each of the years ended 31 December 2009, 2010 and 2011, respectively, with total amount of purchase of about HK\$43.1 million, HK\$76.0 million and HK\$72.0 million, representing about 31.7%, 36.9% and 33.4% of the total amount of purchase made by us in each of the years ended 31 December 2009, 2010 and 2011, respectively.

During the Track Record Period, most of our purchases including purchases of production materials are settled with US\$ and HK\$, and to an insignificant extent, with Swiss Franc. The credit periods given by our suppliers generally ranged from 30 days to 60 days during the Track Record Period.

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Supply chain management

In general, our Group's procurement department, which is based in Hong Kong, is responsible for the purchase of production materials and component parts not manufactured by us. As at 31 December 2011, our procurement department consisted of about 6 staff members. On the other hand, our Group's sales and marketing and purchasing departments are responsible for the development and sourcing of the display units required by our customers which are not manufactured by the PRC Processing Factories.

For the year ended 31 December 2009, our Group had transactions with about 260 suppliers; for the year ended 31 December 2010, our Group had transactions with about 250 suppliers, among which about 160 also had transactions with us in 2009 and about 90 were new suppliers; for the year ended 31 December 2011, our Group had transactions with about 240 suppliers, among which about 170 also had transactions with us in 2010 and about 70 were new suppliers.

In order to monitor the quality of production materials, we perform sample inspection on incoming production materials, and defective materials are returned to our suppliers. In respect of our quality control over the display units procured by us from third party suppliers, please refer to the paragraph headed "Quality control and assurance" in this section for further details.

We evaluate our suppliers principally on several criteria, namely on schedule delivery, product quality, pricing, sales services, payment terms and whether their management system accords with recognised industry standard such as REACH and RoHS. Where necessary, our procurement team visits our suppliers or potential suppliers for evaluation. We typically compare the price quotation of at least two suppliers for procurement of principal production material.

We have not entered into any long term supply agreement with our suppliers. Orders are placed by us with our suppliers when demand for use of materials arises. In respect of display units sourced by us from third party suppliers, we place orders for procurement with third party suppliers after we obtain quotations from such suppliers and receive back-to-back orders from our customers and we do not maintain any safety stock of these products. Despite this, we have not experienced any difficulties in obtaining supplies during the Track Record Period.

We also maintain a safety stock of generic production materials such as resin to ensure that our production schedule will not be delayed or disrupted due to shortage of production materials or supplies. In general, we maintain a safety stock of generic production materials such as resin for about one month of production use. Movements of stock level of production materials are monitored and reviewed by us periodically. Provisions are made for slow moving production materials. These provisions are included in the costs of sales and charged to profit or loss. During the Track Record Period, we had not experienced any material shortage or disruption in the supply of production materials.

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Set out below is an analysis of our purchase from our top suppliers during the Track Record Period:

	For the year ended 31 December					
	2009		2010		2011	
	Purchase <i>HK\$'000</i>	Percentage of purchase	Purchase <i>HK\$'000</i>	Percentage of purchase	Purchase <i>HK\$'000</i>	Percentage of purchase
Largest supplier	43,053	31.7%	75,972	36.9%	71,989	33.4%
Second to fifth largest suppliers, in aggregate	30,635	22.5%	32,747	15.9%	33,071	15.3%
Other suppliers	62,217	45.8%	97,357	47.2%	110,549	51.3%
Total	<u>135,905</u>	<u>100%</u>	<u>206,076</u>	<u>100%</u>	<u>215,609</u>	<u>100%</u>

None of our Directors, their respective associates or, so far as our Directors are aware, Shareholders who (to the best knowledge of our Directors) own 5% or more of the issued share capital of our Company immediately following completion of the Share Offer has any interest in any of our five largest suppliers during the Track Record Period.

QUALITY CONTROL AND ASSURANCE

Our Directors believe that our Group's established reputation for producing high quality packaging products is one of the key factors contributing to its success.

As to product quality and safety, certain customers require our Group to enter into an agreement with them stipulating the requirements and specifications that our products have to comply with. Under the relevant manufacturer's agreements with our customers, our customers may also require, among other things, that the quality and safety of our products shall be in compliance with the product standards and/or technical guidelines, quality specifications and/or other written standards or guidelines from time to time provided to us by our customers. Our customers may also require our Group to ensure that our products (which are manufactured or sourced on an OEM basis based on our customers' specifications) comply with the applicable laws, rules and regulations (pertaining to product specifications) of the import country and/or such other country that our products are to be shipped as our customers may notify us. In the event that our Group fails to comply with the guidelines imposed by customers or the applicable laws, rules and regulations (pertaining to product specifications) of the import country and/or such other country, our Group may be liable to pay for the cost of any testing conducted to confirm non-compliance and the cost of defective products. If such non-compliance constitutes a breach of the relevant manufacturing contract, our Group may be required to indemnify the relevant customer against any claims, demands, damages and costs arising out of or in connection with such breach. However, based on the shipping arrangements on free-on-board terms in accordance with our customers' specifications for shipment, our customers are responsible for the customs clearance for our Group's products to overseas countries, and accordingly, our customers are responsible for ensuring that such products meet the relevant overseas laws and regulations in respect of product importation.

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In order to ensure that our products meet our customers' stringent requirements on product quality and safety, our Group has devised a three-step quality control system, which is implemented at the PRC Processing Factories under our supervision. First, where a work order involves a new design, the sampling and prototyping team at the PRC Processing Factory makes the sample product or prototype based on customers' specifications. Production only takes place if our customer confirms the sample product. The sample product will be given to the assembly line as a standard for reference during production. Assembly lines produce finished products under a work order and submit the same to the operation manager for inspection. Approval will be given before full scale production takes place. Secondly, team leader in each assembly line is responsible for quality control and a double-check procedure is carried out by a line supervisor. Rejected items are subject to a repeated assembly process to achieve the prescribed quality required for the work order. Finally, the finished goods are inspected by the quality control personnel and sometimes by our customers before packing. Where our customers require our products to comply with any specific legal or regulatory requirements under the relevant manufacturer's agreements, such as requirements or restrictions on use of production materials containing certain hazardous chemical substances, we may also request for our suppliers for production materials to provide us with the relevant laboratory tests reports. During the Track Record Period, we had not breached any manufacturer's agreement with our customers in any material respect as a result of our failure to comply with such product quality, safety and/or legal and regulatory requirements.

In respect of the display units manufactured by our suppliers, quality control inspection of the end products at the premises of the suppliers is also arranged before shipment and acceptance of these products to ensure that such products comply with our customers' requirements.

As a result of our Group's stringent quality control procedures, during the Track Record Period, the aggregate value of returned products from our customers, which amounted to about HK\$0.2 million, HK\$1.2 million and HK\$0.7 million, for each of the years ended 31 December 2009, 2010 and 2011, respectively, had been insignificant in comparison with our Group's revenue. During the Track Record Period and up to the Latest Practicable Date, there had not been any product recall or material customer complaint in respect of product quality.

SALES AND MARKETING

Our Group has a diversified customer base and had a total of about 730 customers during the Track Record Period, which included owners or carriers of internationally renowned brands for watches, jewellery and eyewear products and other customers such as traders of packaging products.

As at 31 December 2011, 19 personnel in our workforce are assigned for the sales and marketing function.

With our design and development capabilities, we maintain a products portfolio of over 1,500 models of packaging products as at 31 December 2011. We attend and create new collection of packaging products for display at local and overseas trade fairs and exhibitions, such as the Basel World Watch and Jewellery Show (held in Basel, Switzerland), Mido (held in Milan, Italy), Hong Kong Watch & Clock Fair, Hong Kong Optical Fair, and Hong Kong Gifts & Premium Fair, to showcase our products with a view to soliciting business opportunities and to keep abreast with market trends. Our sales and marketing team also meets with our key customers to maintain close business relationship and better understand our customers' requirements and production plans. We also maintain our own corporate website for showcasing our business and products portfolio. We do not engage advertising agency or sales intermediaries to promote our business or products.

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Our Directors consider that the seasonality pattern of our sales is not significant. Our Group usually records the lowest sales in January and/or February because of the Chinese New Year holidays of about two weeks.

Geographic segments

For each of the years ended 31 December 2009, 2010 and 2011, Europe, Hong Kong and North and South America were our key market segments based on geographical locations of our customers. The following table sets forth, for the periods indicated, the breakdown of our revenue based on geographical locations of our customers.

	For the year ended 31 December					
	2009		2010		2011	
	Revenue <i>HK\$'000</i>	Percentage of revenue	Revenue <i>HK\$'000</i>	Percentage of revenue	Revenue <i>HK\$'000</i>	Percentage of revenue
Europe	145,710	49.4%	172,690	44.2%	154,850	37.0%
Hong Kong	89,354	30.3%	131,330	33.6%	145,461	34.7%
North and South America	41,709	14.2%	64,272	16.4%	83,539	20.0%
Others	17,898	6.1%	22,760	5.8%	34,810	8.3%
Total	<u>294,671</u>	<u>100%</u>	<u>391,052</u>	<u>100%</u>	<u>418,660</u>	<u>100%</u>

Customers

Our Group has a diversified customer base and had a total of about 730 customers during the Track Record Period. Our customers include owners or carriers of internationally renowned brands for watches, jewellery and eyewear products and other customers such as traders of packaging products. We have long business relationship with our customers, some of which we have been collaborating with for over 15 years. On average, we have over 10 years of business relationship with our top ten customers for the year ended 31 December 2011.

For the year ended 31 December 2009, our Group had transactions with about 430 customers; for the year ended 31 December 2010, our Group had transactions with about 470 customers, among which about 300 also had transactions with us in 2009 and about 170 were new customers; for the year ended 31 December 2011, our Group had transactions with about 430 customers, among which about 310 also had transactions with us in 2010 and about 120 were new customers.

For the years ended 31 December 2009, 2010 and 2011, our Group's total revenue amounted to about HK\$294.7 million, HK\$391.1 million, HK\$418.7 million respectively, representing a CAGR of about 19.2% from 2009 to 2011.

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For the years ended 31 December 2009, 2010 and 2011, sales of our Group to our five largest customers accounted for about 40.4%, 48.8% and 41.6% of our Group's total revenue, respectively. The table below sets forth an analysis of our sales to our top five customers during the Track Record Period:

For the year ended 31 December 2009

Our top five customers	Location of our customers	Revenue <i>HK\$'000</i>	Percentage of revenue
Customer A	Hong Kong	42,621	14.5%
Customer B	France	34,890	11.8%
Customer C	Switzerland	15,460	5.2%
Customer D	Switzerland	13,109	4.5%
Customer E	Hong Kong	12,947	4.4%
Other customers		<u>175,644</u>	<u>59.6%</u>
	Total	<u>294,671</u>	<u>100.0%</u>

For the year ended 31 December 2010

Our top five customers	Location of our customers	Revenue <i>HK'000</i>	Percentage of revenue
Customer A	Hong Kong	78,066	20.0%
Customer B	France	45,430	11.6%
Customer F	Switzerland	25,122	6.4%
Customer G	US	25,071	6.4%
Customer H	Switzerland	17,213	4.4%
Other customers		<u>200,150</u>	<u>51.2%</u>
	Total	<u>391,052</u>	<u>100.0%</u>

For the year ended 31 December 2011

Our top five customers	Location of our customers	Revenue <i>HK\$'000</i>	Percentage of revenue
Customer A	Hong Kong	81,700	19.5%
Customer G	US	28,890	6.9%
Customer D	Switzerland	23,208	5.6%
Customer H	Switzerland	20,907	5.0%
Customer E	Hong Kong	19,291	4.6%
Other customers		<u>244,664</u>	<u>58.4%</u>
	Total	<u>418,660</u>	<u>100.0%</u>

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As at the Latest Practicable Date, none of our Directors or their respective associates, and none of our existing Shareholders who (to the best knowledge of our Directors) owns more than 5% of the issued share capital of the Company, had any interest in any of the five largest customers during the Track Record Period.

Customers' orders and payment

We develop, manufacture and source products for our customers based on their individual orders and have not entered into any long-term supply agreements. The customers' orders generally specify the model, quantity, unit price, payment terms and delivery requirements of the products.

From the mass production stage, we typically deliver our products within two to three months after we receive the orders, depending on the complexity of the products and the agreed delivery schedule with our customers. Customer payments are primarily settled by telegraphic transfer and cheque. Our revenue during the Track Record Period were mainly denominated in HK\$ and US\$, and to an insignificant extent, in Euro and Swiss Franc. In general, our sales are made on credit basis and we require our customers to settle our invoices within 30 to 60 days after delivery. For new customers, we may require more stringent payment terms, such as deposit by telegraphic transfer before production and/or full payment before delivery. We have not experienced any material delays relating to such payments during the Track Record Period.

During the Track Record Period, our Group did not have any material bad debts or doubtful debts provided for, and the amount of impairment losses recognised was about HK\$150,000, HK\$659,000 and HK\$387,000 for each of the years ended 31 December 2009, 2010 and 2011, respectively. Please refer to the section headed "Financial information — Trade and bills receivables" in this prospectus for further details.

Pricing

We generally fix the price of our product when we negotiate the terms of the first order for a particular product with our customers. We prepare cost estimation when we receive a new order enquiry from customer and price our products on cost plus basis. The margin that we charge depends on factors such as the complexity of the product, the labour involved in the design or production processes, the volume of the order, the relationship with the customer and, in respect of display units to be sourced by us from third party suppliers, our procurement costs for these display units. We generally require our customers to bear the artwork charges and mould charges incurred in our product development processes.

In respect of our packaging products manufactured by us at the PRC Processing Factories through the processing arrangements, we may negotiate with our customers for price increase in respect of new orders of the same product design or specifications in the event of significant rise in the production costs, such as the costs of production materials, labour costs and minimum wage raise in the PRC, and increase in costs due to appreciation in RMB, which is the major currency affecting our costs of production.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material difficulties in passing the increase in costs to our customers.

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INVENTORY CONTROL

Our Group's production materials and inventories are stored in the warehouses in the production facilities in the PRC and in our warehouses in Hong Kong. As at 31 December 2011, 5 of our staff were assigned to inventory management, and 11 personnel provided by the PRC Processing Factories were assigned for procurement and inventory functions.

As at 31 December 2011, the inventory level of our Group, including production materials, work in progress, finished goods, moulds and consumable tools amounted to about HK\$39.0 million.

We typically place order for production materials after the receipt of confirmed orders from our customers for which such production materials are to be utilised. In respect of our finished products, including the display units sourced by us from third party suppliers, as we manufacture or source these products based on orders from our customers, we do not maintain any safety stock of these products.

We regularly monitor our inventory, including inventory levels and age. During each of the years ended 31 December 2009, 2010 and 2011, specific provision for inventories of about HK\$0.7 million mainly for idle raw materials and reversal of specific provision for inventories of about HK\$36,000 and HK\$1.5 million, respectively, were made.

We have established policies with regard to warehouse management, such as labeling system to categorise materials and items and safety controls.

COMPETITION

We face keen competition in our business of manufacturing packaging products on an OEM basis for our clients based on their design and specifications. We believe that the packaging products manufacturing business is labour intensive and Asia is the key region of production for these products due to its relatively low labour costs and skillful workforce. According to the Ipsos Report, there are about 8,000 packaging manufacturers worldwide who manufacture packaging cases for watches, jewellery and eyewear products. There were about 2,000 manufacturers in the PRC who manufacture packaging products for all watches in 2011, and these PRC manufacturers contributed nearly 80% of the global output value and volume of packaging products for all watches manufactured worldwide from 2007 to 2011. Our competitors are primarily other manufacturers specialising in manufacturing packaging products on an OEM basis based in the PRC and other Asian countries (such as Thailand) with low labour costs, who have the manufacturing capability and expertise to cater for the demands of internationally renowned brands of consumer goods such as watches, jewellery and eyewear products, with emphasis on product quality. We compete principally on product quality, pricing, reputation, product design and development capability, manufacturing techniques, production capacity and delivery, with varying emphasis on these factors depending on the market, the customer and the product. Our results of operation could be materially and adversely affected should we be unable to compete successfully in one or more of the foregoing areas.

We believe that we excel in the area of product development, product quality and delivery. We believe that our long and close relationship with our customers is difficult to be replicated by our competitors. In addition, we also believe that we are among a limited number of manufacturers that have our own product design and development capabilities and the manufacturing capability and expertise to cater for the demands of internationally renowned brands of design label items and luxurious consumer goods such as watches, jewellery and eyewear products, with emphasis on product quality.

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While we believe that we are well-positioned to capture market opportunities, there can be no assurance that we will be competitive in these areas in the future. Please refer to the section headed “Risk factors — Risks relating to our Group” in this prospectus.

ENVIRONMENTAL PROTECTION

The manufacturing operations in the PRC undertaken by the PRC Processing Factories are subject to the national environmental protection laws and regulations and rules promulgated by the local governments in the jurisdictions where such production facilities are located in the PRC. These laws and regulations include the Environmental Protection Law of the PRC, the Law of the PRC on Prevention and Control of Water Pollution, the Law of the PRC on Prevention and Control of Environmental Pollution by Solid Waste, the Law of the PRC on Prevention and Control of Atmospheric Pollution, Law of the PRC on the Prevention and Control of Environmental Noise and the Administrative Rules on the Environmental Protection of Construction Projects, the Law of the PRC on Appraising Environmental Impacts, and the Administrative Rules on the Environmental Protection of Construction Projects and the Administrative Measures on Environmental Protection Inspection Acceptance for Completion of Construction Projects. Please refer to the section headed “Regulatory overview” for further details of these laws and regulations.

The environmental impact of the operation of the PRC Processing Factories mainly involved the discharge of domestic sewage, which is collected for treatment through the public sewage system. Our annual costs of compliance with the applicable environmental laws, rules and regulations amounted to about HK\$36,000, HK\$86,000 and HK\$18,000 for each of the years ended 31 December 2009, 2010 and 2011, respectively. We expect that the cost to be incurred for compliance with applicable environmental laws, rules and regulations will be at similar level for the years ending 31 December 2012 and 2013.

As advised by our PRC legal advisers, based on the written confirmations issued by the competent local environmental protection authorities, each of Qualipak Zhongshan and the PRC Processing Factories had complied with the applicable environmental protection laws in the PRC and had not been subject to any fine or claim arising from any non-compliance of environmental protection laws in the PRC during the Track Record Period and up to the Latest Practicable Date.

SAFETY, HEALTH, LABOUR AND ENVIRONMENTAL GUIDELINES IMPOSED BY CUSTOMERS

Some of our customers have imposed certain safety, health, labour and environmental guidelines on the manufacturing operations of our products, which include: (i) prohibition on the use of child labour and forced labour; (ii) compliance with the applicable laws and regulations on the provision of a safe and healthy workplace; compliance with the applicable wage and hour laws, including minimum wage and overtime; (iii) prohibition on discriminative hiring and employment practices on grounds such as of race, gender, religion; and (iv) compliance with the applicable environmental laws, either as a condition for us to become or continue to be their approved supplier or as a term of sales. The sales attributable to our top ten customers who had imposed safety, health, labour and environmental guidelines during the Track Record Period accounted for about 46.2%, 54.9% and 49.3% of our total revenue during each of the years ended 31 December 2009, 2010 and 2011, respectively.

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So far as our Directors are aware of, in the course of the factory audits during the Track Record Period which were conducted upon our customers' request, all of the customers who had conducted factory audit at Zhongshan Processing Factory during the Track Record Period had noted the non-compliance with PRC social insurance requirements by Zhongshan Processing Factory that involved non-compliance of some of these guidelines. Nevertheless, our Group was able to pass such factory audits (which were conducted twice during the Track Record Period) despite such non-compliance, and the relevant customers have continued their business relationship with us thereafter. No factory audit had been conducted by our customers at Guanlan Processing Factory during the Track Record Period. To the best knowledge of our Directors, the PRC Processing Factories have made contributions for social insurance in compliance with the relevant PRC laws and regulations since 1 December 2011.

During the Track Record Period and up to the Latest Practicable Date, no claim or notice of threatened claim had been received by our Group from our customers for any material breach of the safety, health, labour and environmental guidelines imposed by our customers.

To ensure compliance with these guidelines on an on-going basis, our management will maintain proper safety, health, labour and environmental protocol and review their effectiveness and implementation as and when appropriate. In addition, an assistant general manager is seconded by our Group to the PRC Processing Factories to further ensure the compliance of the customers' imposed guidelines including safety guidelines by the PRC Processing Factories. He is required to report to the marketing managers of our Group on a regular basis so that our Group may deal with any compliance issues directly with the PRC Processing Factories as and when necessary.

NON-COMPLIANCE AND LEGAL PROCEEDINGS

Non-compliance with PRC laws and regulations

During the Track Record Period, the PRC Processing Factories had failed to comply with certain laws and regulations in the PRC and/or were involved in legal proceedings in the PRC. As further explained below, we may be held jointly liable with (in respect of Guanlan Processing Factory), and/or may incur additional costs in complying or remedying any non-compliance or settling any legal dispute by, these PRC Processing Factories, which may in turn materially and adversely affect our profitability, financial condition and results of operations.

We set out below the material non-compliances relating to the operation of the PRC Processing Factories during the Track Record Period:

(i) Non-compliance with PRC customs laws and regulations

As advised by our PRC legal advisers, before sub-contracting any production process, Zhongshan Processing Factory is required to seek approval from the local PRC customs authority. During the Track Record Period, Zhongshan Processing Factory had failed to seek approval from the local PRC customs authority in respect of certain sub-contracting arrangements due to inadvertent oversight of the requirements under the applicable PRC laws and regulations. Zhongshan Processing Factory had obtained written confirmation from the local customs authority (being the competent authority as advised by our PRC legal advisers) that Zhongshan Processing Factory was fined RMB83,000 in respect of its failure to seek the approval for certain sub-contracting arrangements,

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and such fine had been fully settled before the Latest Practicable Date. As advised by our PRC legal advisers, given that Zhongshan Processing Factory is a separate legal entity (企業法人) from our Group, our Group is not liable for any liabilities or penalties relating to the above non-compliance.

Zhongshan Processing Factory has confirmed to us that it has complied with the requisite approval requirements in respect of its existing sub-contracting arrangements as at the Latest Practicable Date.

(ii) *Non-compliance with PRC social insurance and housing provident fund contribution requirements*

The PRC Processing Factories are required under the relevant PRC laws and regulations to contribute to employee social welfare schemes, such as pension insurance, medical insurance, unemployment insurance, maternity insurance, work-related injury insurance (together, “social insurance”) and housing provident fund for the benefit of their own employees. Zhongshan Processing Factory and Guanlan Processing Factory were, prior to 1 December 2011, unable to make full social insurance and housing provident fund contributions for all of their respective employees as required under the relevant PRC laws, regulations or local policies. So far as our Directors are aware of, such failure was due to some of the employees’ unwillingness to participate in such social insurance and housing provident fund contributions.

For each of the three years ended 31 December 2011, the estimated aggregate underpaid amounts of social insurance contributions payable by Zhongshan Processing Factory were about RMB3.1 million, RMB3.6 million and RMB1.8 million, respectively, while that of Guanlan Processing Factory were about RMB0.6 million, RMB1.0 million and RMB1.0 million, respectively. For each of the three years ended 31 December 2011, the estimated aggregate underpaid amounts of housing provident fund contributions payable by Zhongshan Processing Factory were about RMB1.9 million, RMB1.6 million and RMB1.4 million, respectively, while that of Guanlan Processing Factory were nil, nil and about RMB0.5 million, respectively.

According to our PRC legal advisers, under the relevant PRC laws, regulations and local policies, the PRC Processing Factories might be required to make retrospective payment of all outstanding social insurance contributions within a prescribed period. For non-compliance before 1 July 2011, the PRC Processing Factories will not be subject to any overdue penalty if the underpaid contributions are made within the prescribed period pursuant to the order (if any) received from the competent authorities to make payment of the underpaid contributions. If the PRC Processing Factories fail to pay the underpaid contributions within the prescribed period pursuant to the relevant order, the PRC Processing Factories will be subject to an overdue penalty of 0.2% of the underpaid amounts per day as from the due date on which the social insurance contribution should have been made. For non-compliance on or after 1 July 2011, the PRC Processing Factories will be liable to an overdue penalty of 0.05% of the underpaid amounts per day as from the due date on which the social insurance contribution should have been made if the underpaid contributions are made within the prescribed period pursuant to the order received from the competent authorities. If the underpaid contributions are not made within the prescribed period, the PRC Processing Factories will be further penalised with a fine of an amount between 100% and 300% of the underpaid amounts. Based on the above, and considering that the PRC Processing Factories have undertaken to our Group that the underpaid contributions will be made within the prescribed period after receiving the order to pay from competent authorities, the Directors consider that the maximum amount of penalty (calculated

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on a daily basis) payable by the PRC Processing Factories up to the Latest Practicable Date (assuming that the PRC Processing Factories receive the order from the competent authorities to pay the underpaid contribution on that date) for past underpayment of social insurance contributions, during the period from 1 July 2011 to 30 November 2011, amounted to about RMB163,000. As advised by the PRC Legal Advisers, the overdue penalty of 0.05% is subject to a upper limit which shall be the amount of the past underpayment of social insurance contribution arising from non-compliance on or after 1 July 2011. As for the past under-contribution to housing provident funds, under the relevant PRC regulations and local policies, the PRC Processing Factories may be ordered by the relevant housing provident fund authorities to pay the outstanding housing provident fund contributions, but they will not be subject to any overdue penalty or fine.

Zhongshan Processing Factory and Guanlan Processing Factory had obtained written confirmations from the respective local social insurance authorities (in January 2012 and further in June 2012) and housing provident fund authorities (in January and February 2012 and further in June 2012) (being the competent authorities as advised by our PRC legal advisers), which confirmed that the relevant local authorities would not require the PRC Processing Factories to make up for any past underpaid contributions to employee social insurance or housing provident fund schemes or penalise the PRC Processing Factories for the past non-compliances committed prior to 1 December 2011. As advised by our PRC legal advisers, based on the above written confirmations, the risk of Zhongshan Processing Factory and Guanlan Processing Factory being required to make up any underpaid amounts or be penalised by the relevant authorities is remote. No provision has been made by our Group in the combined financial statements of our Group for the underpaid amounts of social insurance contributions and housing provident fund contributions and for any fines, penalty or late payment fees.

As at the Latest Practicable Date, to the best knowledge of our Directors, since their respective establishments, the PRC Processing Factories had not been subject to any administrative penalty actions in respect of the above non-compliance. In view of such non-compliance, the PRC Processing Factories had each since 1 December 2011 requested their respective employees to make social insurance and housing provident fund contributions in accordance with the relevant PRC laws, regulations and local policies. To the best knowledge of our Directors and based on the written confirmations from the competent local authorities, Zhongshan Processing Factory and Guanlan Processing Factory have made contributions for social insurance and housing provident funds from 1 December 2011 onwards in compliance with the relevant PRC laws, regulations and local policies.

As at the Latest Practicable Date, to the best knowledge of our Directors, we were not aware of any proceedings, claims or disputes brought by employees of Zhongshan Processing Factory or Guanlan Processing Factory regarding social insurance or housing provident fund contributions against the PRC Processing Factories. However, there is no assurance that such proceedings, claims or disputes will not be brought against Zhongshan Processing Factory and/or Guanlan Processing Factory in the future, and that Zhongshan Processing Factory and/or Guanlan Processing Factory will not be required to make retrospective contributions or any related damages in the future.

Please also refer to the section headed “Risk factors — We rely on processing agreements and our processing agents in the PRC” in this prospectus, such breach or non-compliance by these PRC Processing Factories may materially and adversely affect our business, operations, profitability, financial condition and results of operations.

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As advised by our PRC legal advisers, our Group is only contractually required to assume the liabilities of Guanlan Processing Factory owing to any third party arising under or in connection with the Guanlan Processing Agreement if and to the extent that such liabilities cannot be met by Guanlan Processing Factory out of its own assets. However, as advised by our PRC legal advisers, our Group is not entitled to be reimbursed for any such liabilities of Guanlan Processing Factory assumed by our Group, nor can our Group set off any assumed liabilities against processing fees payable to Guanlan Processing Factory under the Guanlan Processing Agreement. To minimise our Group's potential exposure to liabilities of Guanlan Processing Factory owing to any third party, we have in place various measures to monitor the operations of Guanlan Processing Factory which include the following:

- (i) as the Group's potential exposure to liabilities of Guanlan Processing Factory primarily arises from the daily operations of Guanlan Processing Factory under the Guanlan Processing Agreement, a production manager employed by our Group has been seconded to Guanlan Processing Factory to closely monitor the daily operations of Guanlan Processing Factory; and
- (ii) by way of communication and meetings with the representatives of Guanlan Processing Factory, the production manager of our Group constantly and closely monitors all third party liabilities and commitments which may be assumed by Guanlan Processing Factory and will raise concerns or seek clarifications from Guanlan Processing Factory whenever there is doubt.

Furthermore, our Directors consider that the liabilities of Guanlan Processing Factory that our Group may be required to assume arising from any potential non-compliance with the relevant laws and regulations would be further minimised with the internal control measures as mentioned under "Measures to prevent future non-compliance" below.

As advised by our PRC legal advisers, save as disclosed above, our subsidiary in the PRC and each of the PRC Processing Factories had obtained all requisite certificates, permits and licences from the relevant regulatory authorities in the PRC in relation to their establishment and business operations, and complied with the relevant PRC laws and regulations in relation to their operations in all material respects during the Track Record Period and up to the Latest Practicable Date.

Material non-compliance with the Companies Ordinance

During the course of the due diligence process for the purpose of the Listing, it was discovered that Qualipak Manufacturing had not fully complied with sections 111 and 122 of the Companies Ordinance based on the circumstances described below. Upon identification of the possible instances of non-compliance, we have taken corresponding steps to remedy the situation.

Accounts-related non-compliance matters

Pursuant to section 122 of the Companies Ordinance, the directors of a company incorporated in Hong Kong are required to cause the profit and loss account and balance sheet to be made up and laid before the company and its shareholders at each of its annual general meetings. Such accounts shall be made up to a date falling not more than nine months before the date of the relevant annual general meeting.

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Our Directors were only aware in early 2012 that no annual general meeting minutes or other records could be found to indicate that Qualipak Manufacturing's accounts for certain periods on or before 30 September 1993 had been duly laid before the members of Qualipak Manufacturing at its annual general meetings in accordance with section 122 of the Companies Ordinance. The aforesaid possible instances of non-compliance would have been due to an inadvertent omission by the relevant officers at the material time. We then submitted the relevant accounts of Qualipak Manufacturing to its then sole shareholder for approval through a general meeting dated 30 March 2012. On 3 May 2012, Qualipak Manufacturing obtained an Order from the High Court of Hong Kong declaring that, inter alia, the laying of the relevant accounts at the general meeting held on 30 March 2012 be deemed to be in compliance with section 122 of the Companies Ordinance.

Annual General Meeting-related non-compliance matters

Pursuant to section 111 of the Companies Ordinance, a company incorporated in Hong Kong is required in each year (except for the first 18 months after its incorporation) to hold an annual general meeting in addition to any other meetings in that year. However, a company is not required to hold such meeting if (i) everything that is required or intended to be done at the meeting (by resolution or otherwise) is done by a resolution or resolutions in accordance with the Companies Ordinance; and (ii) a copy of each document (including any accounts or records) which would be required to be laid before the company at the meeting or otherwise produced at the meeting is provided to each member of the company before or at the same time as the resolution or resolutions, as the case may be, is or are provided to the member.

Our Directors were only aware in early 2012 that no annual general meeting minutes could be found for the years 1991 and 1994, based on which we have reservation as to whether Qualipak Manufacturing did in fact hold an annual general meeting in each of the years 1991 and 1994 respectively as required under section 111 of the Companies Ordinance. The aforesaid possible instances of non-compliance would have been due to an inadvertent omission by the relevant officers at the material time. A general meeting was then held on 30 March 2012 by Qualipak Manufacturing at which it was resolved that the general meeting so held shall be deemed to be and treated as the annual general meeting of Qualipak Manufacturing for each of the years 1991 and 1994. On 3 May 2012, an Order was obtained from the High Court of Hong Kong declaring that, inter alia, the general meeting held by Qualipak manufacturing on 30 March 2012 be deemed to be its annual general meeting for each of the years 1991 and 1994 retrospectively.

For further details, please refer to the section headed "F. Summary of the material non-compliance with the Companies Ordinance" in Appendix V to this prospectus.

Court orders granted

On 19 March 2012, Qualipak Manufacturing and its then sole shareholder, Qualipak Development applied to the High Court of Hong Kong to seek orders for declaratory relief to remedy the instances of possible non-compliance with the Companies Ordinance as set out above. On 3 May 2012, the High Court of Hong Kong granted the requested court orders pursuant to which (i) the requirement under section 122 of the Companies Ordinance to lay the audited accounts covering the relevant periods at its annual general meeting be substituted and extended and that the laying of the said accounts before the general meeting held on 30 March 2012 be deemed to be in full compliance with all such statutory requirements; and (ii) that the general meeting held on 30 March 2012 be deemed to be the annual general meeting of Qualipak Manufacturing for each of the years 1991 and 1994 retrospectively.

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Our Hong Kong legal advisers are of the view that the businesses carried on by our Group in Hong Kong do not fall within any specific category and/or industry which are subject to any specific licensing or approval requirements. As such, our Directors confirm that, apart from the business registration certificates which our Group has duly obtained, our Group is not required to obtain any other licences, permits, certificates or approvals in Hong Kong to conduct its operations in Hong Kong and, save as disclosed above, has complied with all applicable laws during the Track Record Period and up to the Latest Practicable Date.

Measures to prevent future non-compliance

To avoid future occurrences of such non-compliance, and to strengthen the ways in detecting potential non-compliance in the future as well as enhancing the effectiveness of our corporate governance, our Group has taken and will take the following steps to ensure compliance with the applicable rules and regulations:

- we have established an internal audit function to assess and monitor the internal controls of our Group (including the manufacturing operations of our Group at the PRC Processing Factories) and to monitor and supervise the implementation of the internal control procedures from time to time adopted by the Board for our Group, and to report to the audit committee in respect of any material deviation from these procedures and/or any material non-compliance. In relation to our manufacturing operations at the PRC Processing Factories, our Group's internal control team will implement monthly review on the compliance by the PRC Processing Factories with the PRC laws and regulations regarding social insurance, housing provident funds and customs to ensure that the PRC Processing Factories comply with guidelines put in place by the management of our Group as well as relevant PRC laws and regulations. Mr. Leung Chun Cheong, an executive Director, has the overall responsibility of the internal control team which is split into two control areas:
 - (i) compliance control and risk management:
 - the team responsible for compliance control and risk management is headed by Mr. Wu Hong Cho, an executive Director, with support from our company secretary, Ms. Fung Pui Ling, who is an associate of the Institute of Company Secretaries and Administrators in the United Kingdom and of the Hong Kong Institute of Chartered Secretaries and has been working for our Group for more than 10 years; and
 - (ii) financial and operational control:
 - the team responsible for financial and operational control is headed by Mr. Leung Chun Cheong and consists of: (a) an accounting manager, who is a qualified accountant with over 20 years of experience in auditing, accounting and financial reporting, and is responsible for maintaining an effective system of internal controls of our Group; and (b) an accountant, who has over 15 years of experience in auditing and accounting, and is responsible for carrying out the review works on financial and operational control of our Group to ensure compliance with applicable laws and regulations and also with internal policies with respect to the conduct of business;

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- our audit committee will review the financial reporting and internal control procedures of our Group;
- our Group will provide our Directors and employees involved with training, development programs and/or updates regarding, amongst others, the relevant rules and regulations relating to the operation of our Group and the PRC Processing Factories;
- our company secretary, Ms. Fung Pui Ling, who is an associate of the Institute of Company Secretaries and Administrators in the United Kingdom and the Hong Kong Institute of Chartered Secretaries, will assist our Group in ensuring our compliance with the Companies Ordinance; and
- we will arrange with the PRC Processing Factories to engage external PRC legal consultant, such as PRC law firm, to provide legal advice in all respects on the compliance with relevant PRC laws and regulations regarding the operations the PRC as and when necessary. The financial controller of our Group will be responsible for ensuring any such advice is properly implemented by PRC Processing Factories and the managerial staff members seconded by our Group to the PRC Processing Factories will be responsible for monitoring the progress of implementation and will report to the financial controller of the Group from time to time.

Arbitration and legal claims

As advised by our PRC legal advisers, if an employee is injured in a traffic accident on his/her way to or returning from work without fault on his/her part, such injury is regarded as work related injury. During the Track Record Period, Zhongshan Processing Factory was involved in a labour compensation arbitration in the PRC involving the death of a worker due to a traffic accident caused by a third party, for which the relevant administrative authority had determined to be a work-related injury and Zhongshan Processing Factory was adjudged by the local labour arbitration authority to be liable for monetary compensation to the dependants of the deceased worker in the total amount of about RMB167,000. As advised by our PRC legal advisers, Zhongshan Processing Factory may also be potentially liable for the medical and other expenses incurred by the deceased worker of about RMB181,000, and together with the monetary compensation adjudged payable by the Zhongshan Processing Factory, the total potential liabilities of Zhongshan Processing Factory arising out of this incident would not exceed RMB350,000. As advised by our PRC legal advisers, the legal liabilities of Zhongshan Processing Factory arising from the above incident shall be borne by itself, and our Group is not liable for any liabilities or claims relating to the above incident.

Save as disclosed above, neither of the PRC Processing Factories was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against any of the PRC Processing Factories during the Track Record Period and up to the Latest Practicable Date.

During the Track Record Period and up to the Latest Practicable Date, no member of our Group was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against any member of our Group.

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Our Controlling Shareholders have undertaken that they would indemnify us, among others, for all costs, expenses, losses, damages, fines, proceedings and claims falling on our Group arising from any non-compliance of laws and/or regulations by the PRC Processing Factories on or prior to the date of Listing. Details of the indemnity given by our Controlling Shareholders are set out in the paragraph headed “G. Other information — 1. Tax indemnity and other indemnity” in Appendix V to this prospectus.

INSURANCE

We maintain insurance for our offices, motor vehicles, manufacturing facilities and inventories in the PRC and, as the case may be, Hong Kong against loss of property and third party liabilities. We also maintain inland and marine cargo insurance against losses of cargo shipments in connection with our shipment of products to our customers and/or the shipment of production materials. We do not maintain any product liability insurance against product liabilities of our products as our Group is only engaged on an OEM basis to manufacture and source packaging products for our customers who are mainly owners or carriers of internationally renowned brands for watches, jewellery and eyewear products and other customers such as traders of packaging products but not the consuming public. Further, as confirmed by our PRC legal advisers, there is no mandatory requirement under the PRC law for the Group to maintain any product liability insurance for our products manufactured under the PRC Processing Agreements. We believe that our insurance coverage is in line with industry practice. We have medical insurance coverage for our staff and directors’ and officers’ liability insurance for our directors.

Our Directors understand that social insurance is provided for the personnel of the PRC Processing Factories including insurance for retirement, unemployment, sickness, injury and maternity as required by the PRC social security regulations or local policies of, as the case may be, Zhongshan and Guanlan. During the Track Record Period, the PRC Processing Factories had not fully complied with the applicable PRC social security regulations. Details of such non-compliance are set out in the paragraph headed “Non-compliance and legal proceedings” above.

As at the Latest Practicable Date, neither our Group nor the PRC Processing Factories were subject to any outstanding insurance claims which were material to us or to the PRC Processing Factories.

Our Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the “**MPF Scheme**”) under the Mandatory Provident Fund Schemes Ordinance (Cap.485 of the Laws of Hong Kong) for all employees joining our Group after 1 December 2000 in Hong Kong who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees’ basic salaries and are charged to the income statement 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 our Group in an independently administered fund. All mandatory contributions made to the MPF Scheme are fully and immediately vested in the employees. Our Group’s voluntary contributions to the MPF Scheme are vested in the employees at the vesting scale specified in the rules of the MPF Scheme.

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Before the implementation of the MPF Scheme in December 2000, our Group has voluntarily operated a defined contribution retirement benefits scheme regulated under the Occupational Retirement Schemes Ordinance (Cap.429 of the Laws of Hong Kong) (the “ORSO Scheme”). The ORSO Scheme has been granted exemption from complying with Mandatory Provident Fund requirements under the MPF Schemes (Exemption) Regulation, and has continued to operate for all the then employees who have chosen to join the ORSO Scheme. The assets of the ORSO Scheme are held separately from those of our Group in a provident fund managed by an independent trustee. Contributions to the fund by our Group are made at the rates specified in the rules of the ORSO Scheme. Where there are employees who leave the ORSO Scheme prior to being vested in full of the contributions, the contributions payable by our Group will be reduced by the amount of forfeited contributions.

WORKFORCE

As at 31 December 2011, our Group had a total of 74 staff, while the PRC Processing Factories had about over 1,600 personnel for their operations. The following table shows a breakdown of the workforce involved in our Group’s and the PRC Processing Factories’ operations by division or function as at 31 December 2011:

Area of operation

	As at 31 December 2011	
	Number of our staff	Number of personnel of the PRC Processing Factories
Management	8	14
Production	Nil	1,404
Sales and marketing	19	Nil
Procurement and inventory	11	11
Product design and development	3	32
Quality control	7	106
Finance and accounting	12	8
Shipping	7	7
General administration	7	49
Total	74	1,631

Based on our arrangement with the PRC parties to the PRC Processing Agreements, Zhongshan Processing Factory and, as the case may be, 深圳市觀瀾經濟發展有限公司 (Shenzhen Guanlan Economic Development Limited*) are responsible for employing staff for the production of our products under the PRC Processing Agreements while our Group is responsible for providing technical guidance and training to factory workers and supervision over quality control. As at 31 December 2011, we had assigned 5 staff to the PRC Processing Factories for supervising production, operation and quality control. As advised by our PRC legal advisers, the PRC Processing Factories had confirmed that each of them have entered into written employment contracts with their respective workers which comply with the applicable PRC labour laws and regulations, and the local competent authorities had confirmed that the PRC Processing Factories had been in compliance with the applicable PRC labour laws, regulations and/or local policies since their respective establishment. As

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advised by our PRC legal advisers, in relation to workers of Zhongshan Processing Factory, as there is no employment contract entered into between the workers of Zhongshan Processing Factory and our Group, we do not have any responsibilities or liabilities under the PRC laws and regulations for these workers. In respect of the personnel of Guanlan Processing Factory, although our Group has not entered into any employment contract with these workers, our PRC legal advisers take the view that as Guanlan Processing Factory is not a legal entity (企業法人) under the PRC law and is incapable of assuming any civil liability on its own, our Group may be held jointly liable with the Guanlan Processing Factory in respect of the liabilities of the Guanlan Processing Factory as detailed in the section headed “Risk Factors — We rely on processing agreements and our processing agents in the PRC” in this prospectus. As such, our Group may be liable under the PRC laws and regulations for these workers.

Our total staff costs, exclusive of costs of labour incurred and borne by the PRC Processing Factories pursuant to the terms of the PRC Processing Agreements, for the three years ended 31 December 2009, 2010 and 2011 were about HK\$23.0 million, HK\$23.7 million and HK\$26.5 million respectively, which accounted for about 7.8%, 6.1% and 6.3% of our total revenue in the corresponding periods.

The staff salaries and allowance of staff employed by our Group represents the major component of the selling and distribution costs and administrative expenses. As a part of cost control measure adopted by our Group, any recruitment of new staff and increment of the staff’s salary is subject to the prior approval by our Directors.

Our Group recognises the importance of good relationship with our workforce. We estimate that the average turnover rate of our staff was about 1.4% for the year ended 31 December 2011. In respect of the PRC Processing Factories, we estimate that the average turnover rate of its personnel was about 6.9% for the year ended 31 December 2011. During the Track Record Period, our Group and the PRC Processing Factories did not experience any significant labour dispute or disruption to operations due to labour incident, nor did our Group or the PRC Processing Factories experience any difficulties in the recruitment and retention of experienced personnel.

We seek to grow our management team internally through effective training and promotion programs. To the best knowledge and belief of our Directors, and as advised by our PRC legal advisers, save as disclosed in the paragraph headed “Non-compliance and legal proceedings” in this section, our subsidiary in the PRC and the PRC Processing Factories complied with the relevant PRC labour laws and regulations in all material respects during the Track Record Period.

OCCUPATIONAL SAFETY

To ensure that our production operations at the PRC Processing Factories comply with the applicable safety standards, there are established operational safety guidelines and manuals, such as fire safety manual and production safety manual, which set out the requisite requirements and procedures to be adhered to for the prevention of accident, for implementation at the PRC Processing Factories. All operators of production facilities are required to be trained before they are allowed to operate the facilities. As a result, the PRC Processing Factories have maintained a relatively low average injury rate among their workers. For each of the years ended 31 December 2009, 2010 and 2011, about 36, 46 and 26 incidents of work injuries were recorded at the PRC Processing Factories, respectively. To the best knowledge of the Directors, save as disclosed under the paragraph headed “Non-compliance and legal proceedings — Arbitration and legal claims” in this section, the PRC

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Processing Factories had, where appropriate, compensated such injured workers in accordance with the relevant PRC laws and regulations, and none of our Group nor the PRC Processing Factories was involved in any material outstanding litigation with any injured worker up to the Latest Practicable Date.

During the Track Record Period, the PRC Processing Factories had not experienced any material or prolonged stoppages of production due to production facilities failure and the PRC Processing Factories had not experienced any major accidents during its production process. We are not aware that any toxic substance produced during the manufacturing processes at the PRC Processing Factories had caused personal injuries during the Track Record Period and up to the Latest Practicable Date. As advised by our PRC legal advisers, based on the written confirmations obtained from the competent local work safety authorities, each of the PRC Processing Factories had complied with the relevant laws and regulations in respect of work safety during the Track Record Period and up to the Latest Practicable Date.

INTELLECTUAL PROPERTY

As at the Latest Practicable Date, our Group had four registered trademarks and three domain names, all of which are material to our business. For further information on these intellectual property rights, please refer to the paragraph headed “B. Further information about the business — 2. Our intellectual property rights” in Appendix V to this prospectus.

PROPERTIES

Save as disclosed in the valuation report prepared by DTZ Debenham Tie Leung Limited, the texts of which are set out in Appendix III to this prospectus, there was no single property interest that formed part of our Group’s property activities or non-property activities having carrying amounts of 1% and 15% or above of the total assets of our Group as at 30 April 2012, respectively. Pursuant to section 6 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this prospectus is exempted from compliance with section 342(1)(b) of the Companies Ordinance in respect of paragraph 34(2) of the Third Schedule to the Companies Ordinance to include a property valuation report for such property interests. An overview in respect of all property interests which are not covered in the valuation report prepared by DTZ Debenham Tie Leung Limited is set out below.

Address and description of the location	Use	Approximate area (sq. m.)	Licence fee/ Rental	Permitted use	How is the property held, owned/ leased, if leased, the lease period	Details of encumbrances, liens, pledges and mortgages
7th Floor, China United Centre, No. 28 Marble Road, Hong Kong	Office	1,010.49	licence fee of HK\$74,365 per month (inclusive of government rents, rates and all other outgoings)	Offices and ancillary accommodation for non-domestic use	Owned by our Group, a licence agreement dated 20 December 2011 in favour of Qualipak Manufacturing from 1 January 2012 to 31 December 2012	(i) Subject to and with the benefit of a Licence and Works Agreement registered in the Land Registry by Memorial No.UB6294649 and an Operating and Management Agreement registered in the Land Registry by Memorial No.UB7322007; and (ii) subject to a Deed of Dedication registered in the Land Registry by Memorial No.UB6683610

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Address and description of the location	Use	Approximate area (sq. m.)	Licence fee/Rental	Permitted use	How is the property held, owned/ leased, if leased, the lease period	Details of encumbrances, liens, pledges and mortgages
15th Floor, China United Centre, No. 28 Marble Road, Hong Kong	Office	1,010.49	(i) licence fee of HK\$65,000 per month (exclusive of the licensed area's share of government rent, rates, management fees, air-conditioning, electricity and cleaning charges and all other outgoing expenses) under TPHL Licence Agreement; (ii) licence fee of HK\$71,280 per month (inclusive of government rent, rates, management fee and air-conditioning charge) under the CCLH Licence Agreement. The monthly licence fee is borne by the Group and CC Land in equal shares and the net monthly amount currently payable by the Group is HK\$35,640; and (iii) licence fee of HK\$80,000 per month (exclusive of the licensed area's share of government rent, rates, management fee, air-conditioning, electricity and cleaning charges and all other outgoing) under CCLM Licence Agreement	Offices and ancillary accommodation for non-domestic use	Owned by our Group, entered into (i) a licence agreement dated 22 May 2012 in favour of Theme Production which relates to 2,334 square feet of saleable area of the premises from 1 May 2012 to 30 April 2013 (inclusive) ("TPHL Licence Agreement"); (ii) a licence agreement dated 30 September 2011 in favour of CC Land which relates to 7,425 square feet of gross area (saleable area: 5,686 square feet) of the premises from 1 October 2011 to 30 September 2012 (inclusive) ("CCLH Licence Agreement"); and (iii) a licence agreement dated 20 June 2012 in favour of C C Land Management Limited which relates to 2,876 sq.ft. of saleable area of the premises from 12 July 2012 to 11 July 2015 (inclusive) ("CCLM Licence Agreement")	(i) subject to and with the benefit of a Licence and Works Agreement registered in the Land Registry by Memorial No.UB6294649 and an Operating and Management Agreement registered in the Land Registry by Memorial No.UB7322007; and (ii) subject to a Deed of Dedication registered in the Land Registry by Memorial No.UB6683610
Workshop K on 23rd Floor and Workshops A & L on 27th Floor, Shield Industrial Centre, Nos. 84-92 Chai Wan Kok Street, Tsuen Wan, New Territories, Hong Kong	Industrial	1,224.73	licence fee of HK\$55,000 per month (subject to revision by the licensor from time to time) (inclusive of management fee, rates, air-conditioning charges and other outgoing expenses)	Workshops for non-domestic use	Owned by our Group, a licence agreement dated 30 March 2012 in favour of Qualipak Manufacturing from 1 April 2012 to 31 March 2013.	Subject to the Mortgage registered in the Land Registry by Memorial No.UB6270887 in favour of The Hongkong and Shanghai Banking Corporation Limited
Car Parking Space No. 2273 on Car Park Entrance 2 (Level 5) of the Garage of Hong Kong Parkview, 88 Tai Tam Reservoir Road, Hong Kong	Car Park	N/A	HK\$ 3,500 per month (inclusive of rates and management fee)	Car park	The property is licensed from Parkview (Suites) Limited to Qualipak Manufacturing from 1 June 2012 to 31 May 2013.	Not applicable
Car Parking Space No. 210 on Car Park Entrance 3 (Level 4) of the Garage of Hong Kong Parkview, 88 Tai Tam Reservoir Road, Hong Kong	Car Park	N/A	HK\$ 3,500 per month (inclusive of rates and management fee)	Car park	The property is licensed from Parkview (Suites) Limited to Qualipak Manufacturing from 1 June 2012 to 31 May 2013.	Not applicable

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Address and description of the location	Use	Approximate area (sq. m.)	Licence fee/ Rental	Permitted use	How is the property held, owned/ leased, if leased, the lease period	Details of encumbrances, liens, pledges and mortgages
An industrial complex situated at Jiemin Village, Sanjiao Town, Zhongshan, the PRC	Industrial	The property comprises an industrial complex erected upon a parcel of land with a site area of about 80,000 sq m. The industrial complex comprises 19 buildings with a total gross floor area of about 59,015.88 sq m completed in 2000.	Not applicable	Industrial	Owned by our Group	None
A factory, staff quarters (lessor has building ownership certificates for both), and an ancillary building (lessor does not have building ownership certificate) situated at Block 3, No.6 Industrial Zone, Guanlan Town, Baoan District, Shenzhen, the PRC <i>(Notes 1 and 2)</i>	Factory, staff quarters and canteen	3,000 sq.m. 1,703 sq.m. 225.5 sq.m.	Rental of RMB 2,200,000 and interest of RMB 142,560 for a term of 50 years	Factory, staff quarters and canteen	The property has been leased from an Independent Third Party for an initial term from 1 July 1992 to 30 June 2007, which shall be automatically renewed upon expiry of the initial term for 15 years up to and including 30 June 2022, which shall be further automatically renewed upon expiry of the then renewed term for 15 years up to and including 30 June 2037, which shall be further automatically renewed upon expiry of the then renewed term for 5 years up to and including 30 June 2042. Currently the lease is on the second term until 30 June 2042 with 30.47 years remaining. <i>(Note 3)</i>	Not applicable

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Address and description of the location	Use	Approximate area (sq. m.)	Licence fee/ Rental	Permitted use	How is the property held, owned/ leased, if leased, the lease period	Details of encumbrances, liens, pledges and mortgages
A factory, staff quarters (lessor has building ownership certificates for both) and an ancillary building (lessor does not have building ownership certificate) situated at Block 8, No.6 Industrial Zone, Guanlan Town, Baoan District, Shenzhen, the PRC. (Notes 1 and 2)	Factory, staff quarters and canteen	3,161 sq.m. 1,703 sq.m. and 225.5 sq.m.	Rental of RMB2,200,000 and interest of RMB142,560 for a term of 50 years	Factory, staff quarters and canteen	The property has been leased from an Independent Third Party for an initial term from 16 December 1992 to 16 December 2007, which shall be automatically renewed upon expiry of the initial term for 15 years up to and including 16 December 2022, which shall be further automatically renewed upon expiry of the then renewed term for 15 years up to and including 16 December 2037, which shall be further automatically renewed upon expiry of the then renewed term for 5 years up to and including 16 December 2042. Currently the lease is on the second term until 17 December 2042 with 30.93 years remaining. (Note 3)	Not applicable

Notes:

1. As advised by our PRC legal advisers, they are not in a position to provide legal opinion on the legality of the Group's lease of two ancillary buildings in Guanlan, Shenzhen, the PRC of which the relevant lessor could not provide the relevant building ownership certificates. In the event that the relevant lessor does not have legal ownership of such buildings nor the legal right to lease such buildings to our Group, our PRC legal advisers take the view that the relevant leases in respect of such ancillary buildings (but not the other buildings) may be invalid under PRC laws, and that the relevant leases in respect of the other buildings (comprising factory buildings and staff quarters) at these locations will still be valid under PRC laws.
2. These premises are provided by our Group for use by Guanlan Processing Factory. In the event that the relevant leases in respect of the two ancillary buildings (i.e. staff canteens) shall be invalidated, our Group will be unable to continue to provide the use of such ancillary buildings to Guanlan Processing Factory, but the relevant leases for the other buildings (i.e. factory and staff quarters) will still be valid and can be continued to be used by Guanlan Processing Factory. Our Directors believe that the invalidity of the relevant leases for the ancillary buildings would have no material impact of the operation of Guanlan Processing Factory or that of our Group.
3. As advised by our PRC legal advisers, the lease agreements for the premises at Guanlan, Shenzhen, the PRC were not registered with the relevant PRC authorities as required under PRC laws. Our PRC legal advisers take the view that the non-registration of the lease agreements would not invalidate legality of the lease agreements, and our Group would not be liable to any administrative penalty in respect of such non-registration under PRC laws.

Our Directors confirm that during the Track Record Period, our Group has not committed any violation of laws and regulations in Hong Kong and the PRC in relation to the use of, or giving rise to any environmental issues in respect of, these property interests. We are not aware of any investigations, notice, pending litigation, breaches of law or title defects in respect of these property interests.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS AND CC LAND

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Controlling Shareholders

Assuming that all CC Land Qualifying Shareholders take up their respective Assured Entitlement under the Preferential Offer in full, and taking no account of any Public Offer Shares which may be taken up under the Public Offer and any Shares which may be allotted and issued pursuant to the exercise of options that may be granted under the Share Option Scheme, immediately after the completion of the Distribution and the Share Offer, Thrivetrade and Regulator Holdings will be interested in about 39.72% and 9.66% respectively of our total issued share capital. The entire issued share capital of Thrivetrade is owned by Mr. Cheung. Regulator Holdings is wholly owned by Yugang, the issued share capital of which is held as to about 44.06% in the aggregate by Chongqing Industrial Limited, Timmex Investment Limited and Mr. Cheung. Chongqing Industrial Limited and Timmex Investment Limited are controlled by Mr. Cheung. Therefore, Thrivetrade, Regulator Holdings and Mr. Cheung are our Controlling Shareholders.

Mr. Cheung has been living in Hong Kong for a substantial period of time since 1980. He is one of our Controlling Shareholders, the chairman and controlling shareholder of CC Land as well as the chairman and controlling shareholder of each of the following Hong Kong listed companies namely Yugang International Limited (Stock Code: 613), Y.T. Realty Group Limited (Stock Code: 75) and The Cross-Harbour (Holdings) Limited (Stock Code: 32). Mr. Cheung is not and has not been a government official of a country for any period of time and he is not and has not been an employee of a state/government-owned/operated entity for any period of time.

Mr. Cheung started to invest in our Group in 1999. In September 1999, Mr. Cheung acquired a total of 36,312,000 shares of CC Land, comprising 25,788,000 shares at a total consideration of HK\$12,977,577.20 held through Bondic International Holdings Limited (“**Bondic**”) (a company which was wholly and beneficially owned by Mr. Cheung) and 10,524,000 shares at a total consideration of HK\$6,443,938.10 held through Bookman Properties Limited (“**Bookman**”) (a company which was wholly owned by Yugang), representing about 22.7% of the then issued share capital of CC Land.

In October 1999, Bondic further acquired 1,872,000 shares of CC Land for HK\$1,296,692.11, and thus held a total of 27,660,000 shares of CC Land.

In November 1999, Regulator Holdings acquired from CIDE, 32,668,000 shares of CC Land, representing about 20.29% of the then issued share capital of CC Land at a consideration of HK\$24,501,000. Regulator Holdings also purchased from Bondic 27,660,000 shares of CC Land, representing about 17.18% of the issued share capital of CC Land at a consideration of HK\$14,219,300. Accordingly, Regulator Holdings was holding in the aggregate about 37.47% and Bookman was holding about 6.54% of the then issued share capital of CC Land. As a result, Regulator Holdings, Yugang and its subsidiaries and parties acting in concert with them held beneficially about 44.01% of the then issued share capital of CC Land which triggered a mandatory offer under the Takeovers Code. Following such offer, Mr. Cheung, through Regulator Holdings, Yugang and its subsidiaries, and other companies, was interested in about 51.07% of CC Land as at 12 January 2000 and CC Land became a subsidiary of Yugang.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS AND CC LAND

Pursuant to an agreement dated 22 September 2006, CC Land acquired from Thrivetrade the entire issued share capital of a company which indirectly owned the entire registered capital of a PRC property development company at a consideration comprising, inter alia, an allotment of 1.6 billion new shares of CC Land and the issuance of a convertible note for about 9.1 billion new shares of CC Land upon full conversion to Thrivetrade.

Following completion of the acquisition and the conversion of the convertible note and after the further dilution arising from a share placing in November 2006, Mr. Cheung was beneficially holding about 71.21% of the entire enlarged issued share capital of CC Land, of which Regulator Holdings held about 14.08% and Thrivetrade held about 57.13%, and CC Land ceased to be a subsidiary of Yugang.

As at the Latest Practicable Date, Regulator Holdings and Thrivetrade were controlled by Mr. Cheung, and Mr. Cheung was interested in about 51.44% of the entire issued share capital of CC Land.

Other than the interests in our Group, as at the Latest Practicable Date, our Controlling Shareholders and their associates were also interested in other entities including the Remaining CC Land Group, which is principally engaged in the property development business in Western China and treasury investment business. Our Controlling Shareholders confirm that (i) these entities are not engaged in any activity or business falling within the principal business scope of our Group; and (ii) these entities have their own operational management staff independent of our Group for their core operations. In light of the foregoing, our Directors are of the view that our Controlling Shareholders do not have any interest apart from our Group which competes or is likely to compete, directly or indirectly, with us.

Our Directors are satisfied that we can operate independently of our Controlling Shareholders upon the Listing on the basis of the following reasons:

Management independence

Our Company has a Board and senior management that function independently from our Controlling Shareholders. Our Board comprises nine Directors, including four executive Directors, two non-executive Directors and three independent non-executive Directors. None of our Directors is a Controlling Shareholder nor a director of Thrivetrade or Regulator Holdings.

Each of our Directors is aware of his/her fiduciary duties as a Director which requires, amongst others, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflicts between his/her duties as a Director and his/her personal interest. In the event that there is a potential conflict of interests arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) will abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum. Please refer to the paragraph headed “2(a)(vi)” in Appendix IV to this prospectus. In addition, we have independent staff members to carry out the day-to-day business of our Group independently.

Having considered the above factors, our Directors are of the view that our Group can be managed independently from our Controlling Shareholders after the Spin-off.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS AND CC LAND

Operational independence

Our organisation structure is made up of various departments and divisions, each with specific areas of responsibilities. We have established internal control procedures to facilitate the effective operation of our business.

Further, our own management team, which is independent of our Controlling Shareholders, has served our Company and/or our subsidiaries for a substantial period of time and has substantial experience in the packaging products industry. We also do not rely on our Controlling Shareholders to access customers, suppliers and production facilities.

Our Directors confirmed that there is no continuing connected transaction between our Controlling Shareholders and our Group which will be subject to the reporting, announcement and independent Shareholders' approval requirements under the Listing Rules upon Listing.

Financial independence

Our financial system is independent from that of our Controlling Shareholders and their associates and our Group makes financial decisions according to our own business needs. Our Group's finance operations are handled by our finance department, which operates independently from our Controlling Shareholders and their associates, and does not share any other functions or resources with any of our Controlling Shareholders or their associates. The functions of our finance department include finance and treasury management.

Our Directors confirm that during the Track Record Period and as at the Latest Practicable Date, there was no outstanding non-trade payables due to our Controlling Shareholders and no guarantee had been provided by our Controlling Shareholders in favour of our Group during the Track Record Period and up to the Latest Practicable Date. Hence, our Board is of the view that our Group is able to operate financially independently after its Listing for the following reasons:

- **Sound financial positions:** We are principally engaged in the OEM manufacturing and sourcing of packaging products. We have been financially sound throughout the Track Record Period. For the three financial years ended 31 December 2009, 2010 and 2011, our turnover was about HK\$294.7 million, HK\$391.1 million and HK\$418.7 million, respectively, and our net profit for the same periods amounted to about HK\$19.1 million, HK\$31.4 million and HK\$41.5 million, respectively. As at 31 December 2011, we had cash and bank balances of about HK\$59.8 million and available banking facilities of HK\$20.0 million, of which about HK\$0.5 million was utilized and HK\$19.5 million was available. The available amount of about HK\$10.0 million can be entirely drawn as cash. Our Group's operating cash flows before movements in working capital for the year ended 31 December 2011 was about HK\$50.3 million. The amount due to CC Land had been repaid and reduced consistently during the Track Record Period by a total sum of approximately HK\$142 million up to 31 December 2011 by using internally generated resources of our Group.
- **Positive operating cash flow:** The combined net cash inflow generated from operating activities of our Group for the three years ended 31 December 2009, 2010 and 2011 was approximately HK\$53.7 million, HK\$37.3 million and HK\$45.2 million, respectively, which demonstrates that our Group had sound operating cash flow during the Track Record Period.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS AND CC LAND

- **Strong credit position:** Besides having a sound financial position and cash generative operation as mentioned above, based on discussions with relevant leading banks, our Group also has a strong credit position on a stand-alone basis. The Group expects to maintain a net cash position upon the Listing.
- **Ability to raise fund on a stand-alone basis:** Our Group believes that it is able to secure bank loans from banks and other financial institutions without any credit support and guarantees from our Controlling Shareholders. We received written confirmation from banks that we will be able to obtain credit facilities for an aggregate amount of HK\$30 million on a stand-alone basis upon Listing. As such, our Group is satisfied of our capability of carrying on our business financially independently of our Controlling Shareholders.
- **Use of net proceeds:** It is expected the net proceeds from the Share Offer of about HK\$20 million will be received by our Group after the Listing of which certain amounts would also be used to finance the operation of our Group as and when necessary.

INDEPENDENCE FROM THE REMAINING CC LAND GROUP

Background

CC Land was incorporated in Bermuda under the Companies Act as an exempted company with limited liability on 2 June 1998, the shares of which have been listed on the Main Board of the Stock Exchange since 30 April 1999. As at the Latest Practicable Date, CC Land was the sole Shareholder of our Company. Immediately upon the completion of the Distribution and the Share Offer, CC Land will no longer be interested in the issued share capital of our Company, and our Company will cease to be a subsidiary of CC Land.

In contemplation of the Share Offer, we have undergone certain reorganisation steps from October 2011, which include the incorporation of our Company. Particulars of these reorganisation steps are set forth in the section headed “History, development and corporate reorganisation — Our Reorganisation” in this prospectus.

The Board is satisfied that the Company can carry on business independently of the Remaining CC Land Group and its associates upon the Spin-off on the basis of the following:

Clear business delineation between our Group and the Remaining CC Land Group

After the Spin-off, the Remaining CC Land Group will continue to engage principally in the property development business in Western China and the treasury investment business, while our Group will focus on the manufacture and sale of packaging products. The core businesses of the Remaining CC Land Group and our Group are by their nature separate and distinct businesses which are independently operated. The Remaining CC Land Group does not and will not engage in any business activities that compete with those of our Group. To address potential conflicts of interests between the Remaining CC Land Group and our Group, CC Land has executed a Deed of Non-competition in favour of our Group in this regard, the details of which are set out in the paragraph headed “Deed of Non-competition” below.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS AND CC LAND

Our Group independently manages our own sales and marketing and customer relationship operations, and does not rely on the Remaining CC Land Group for access to customers. Our Group also independently manages all facets of our operations relating to product design and development, sourcing, and production. We do not rely on the Remaining CC Land Group for access to our suppliers.

Management Independence

Our Board comprises nine Directors, including four executive Directors, two non-executive Directors and three independent non-executive Directors. None of our Directors is a Controlling Shareholder.

The following table sets forth the executive directors, non-executive directors, independent non-executive directors and the company secretary of our Company and those of CC Land immediately upon the Spin-off:

Name	Position/Title in our Company	Position/Title in CC Land
Dr. LAM How Mun Peter	Non-executive Director and chairman of the Board	Executive director, Managing Director and deputy chairman of the board of directors of CC Land
Ms. POON Ho Yee Agnes	Executive Director and Managing Director	—
Mr. WU Hong Cho	Executive Director	—
Mr. LAM Hiu Lo	Executive Director	—
Mr. LEUNG Chun Cheong	Executive Director	Executive director
Mr. LEUNG Wai Fai	Non-executive Director	Executive director
Mr. CHAN Sze Hung	Independent non-executive Director	—
Mr. TAM Kwok Fai Paul	Independent non-executive Director	—
Dr. LEUNG Wai Keung	Independent non-executive Director	—
Mr. CHEUNG Chung Kiu	—	Executive director and chairman of the board of directors of CC Land

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS AND CC LAND

Name	Position/Title in our Company	Position/Title in CC Land
Mr. TSANG Wai Choi	—	Executive director and deputy chairman of the board of directors of CC Land
Mr. WONG Yat Fai	—	Non-executive director
Mr. LAM Kin Fung Jeffrey	—	Independent non-executive director
Mr. LEUNG Yu Ming Steven	—	Independent non-executive director
Dr. WONG Lung Tak Patrick	—	Independent non-executive director
Ms. FUNG Pui Ling	Company secretary	—
Ms. CHEUNG Fung Yee	—	Company secretary

Based on the following reasons, our Directors are of the view that our Directors and our management teams are able to function independently from the Remaining CC Land Group and potential conflict of interests can be avoided and where it arises, can be resolved:

- (i) Dr. Lam, our chairman of the Board and non-executive Director, is an executive director, managing director and deputy chairman of CC Land immediately before Listing and will remain in such positions in CC Land upon Listing. Dr. Lam has been concentrating on strategic planning and the overall management of the CC Land Group since 1989. Upon the Spin-off, he will serve the same functions and will not be involved in the day-to-day business operations of our Group. Our Directors believe that there will not be conflict of interest arising as a result of Dr. Lam's dual roles.

Given the non-executive nature of Dr. Lam's directorship in our Company, it is expected that Dr. Lam will have sufficient time and resources to serve on the boards of both our Company and CC Land without affecting his discharge of duties and responsibilities as our chairman of the Board and non-executive Director.

- (ii) The day-to-day operations of our Group will be undertaken by our executive Directors, namely Mr. WU Hong Cho, Mr. LAM Hiu Lo, Mr. LEUNG Chun Cheong, and Ms. POON Ho Yee Agnes and their relevant staff members in different divisions who had been managing the day-to-day operations of the major entities forming our Group prior to the Reorganisation. Mr. LEUNG Chun Cheong, our executive Director, will remain as an executive director of CC Land upon the Spin-off. The other three executive Directors will cease to be directors of CC Land upon or before the Spin-off, and Mr. LEUNG Chun Cheong is in a minority in relation to our executive Directors. Our Board believes that Mr. LEUNG Chun Cheong will be able to execute his executive roles as he will be supported by the separate finance team of each of us and CC Land.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS AND CC LAND

- (iii) Mr. WU Hong Cho, Mr. LAM Hiu Lo and Ms. POON Ho Yee Agnes, each being our executive Director, has been acting as an executive director of CC Land since 7 July 2006, 10 November 2000, and 3 June 1998, respectively. However, apart from her directorship duties in CC Land, Ms. Poon had not been involved in the management of the CC Land Group other than the business and operation of our Group during the Track Record Period. Mr. Lam had been involved in the management of the Remaining CC Land Group only to a limited extent during the Track Record Period. As to Mr. Wu, he has been overseeing the legal and corporate compliance of the CC Land Group as a whole during the Track Record Period. It is expected that Ms. Poon and Mr. Lam will resign from his/her directorship in CC Land upon the Spin-off while Mr. Wu has retired by rotation at the annual general meeting of CC Land held on 18 May 2012.
- (iv) Furthermore, Mr. LEUNG Wai Fai, our non-executive Director, will remain as an executive director of CC Land upon the Spin-off. Mr. LEUNG Wai Fai will not be involved in the day-to-day operations of our Group. Our Directors believe that there will not be conflict of interest arising as a result of Mr. LEUNG Wai Fai's dual roles.
- (v) Ms. FUNG Pui Ling is our company secretary. Her responsibilities in our Company are limited to company secretarial matters only. Ms. Fung joined our Group in 2000 and has in-depth knowledge of our Group's history, business practices and organisation structure, as well as extensive experience on the compliance and regulatory requirements applicable to companies listed on the Stock Exchange. In view of Ms. Fung's experience and expertise, our Directors believe that her appointment as our company secretary will be in the interest of our Company.
- (vi) Immediately following the Spin-off, other than Mr. Cheung, one of our Controlling Shareholders, the individual shareholding of CC Land's directors in the Company will not exceed 0.1% each and hence our Directors believe that such minimal shareholding will not affect the independence of CC Land's directors from our Company.
- (vii) Save as disclosed above, no other Directors or their respective supporting team members had any role in the CC Land Group during the Track Record Period other than the business and operation of our Group. It is expected that all executive Directors, other than Mr. LEUNG Chun Cheong, will not have any executive role or involvement in the business of the Remaining CC Land Group upon the Spin-off. Save as disclosed above, it is also expected that there will be no overlapping of middle management between our Group and the CC Land Group upon the Spin-off.
- (viii) Moreover, should potential conflict of interests between the overlapping Directors' role arise, the interested Directors with potential conflict of interests shall abstain from voting at the relevant board meetings of CC Land, our Company or the relevant subsidiaries of our Company, where appropriate, in respect of such transactions or matters with potential conflict of interests, and they shall not be counted in the quorum of the relevant board meeting. For our Company, board decisions in respect of such matters and transactions with potential conflict of interest will be decided by our independent non-executive Directors as well as other executive Directors with no involvement in the Remaining CC Land Group.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS AND CC LAND

Each of our Directors has confirmed to our Group that it is not currently engaged in any business which is in competition or potentially in competition, either directly or indirectly, with the business of our Group.

Operational independence

During the Track Record Period, our Group and the Remaining CC Land Group shared certain costs including directors' remuneration, staff welfare and miscellaneous costs such as insurance policies. Such sharing of costs will cease upon the completion of the Spin-off.

In view of the above, our Directors believe that our operations are independent of, and not connected with, the Remaining CC Land Group.

Financial independence

Our Group has an independent finance team which is responsible for its own finance functions despite members of our Group were subsidiaries of CC Land during the Track Record Period.

The net amount due to the ultimate holding company and fellow subsidiaries of CC Land by the Group as at 31 December 2011 was about HK\$52 million, which principally arose from a dividend declared by Qualipak Development to CC Land in 2007. This amount due to CC Land had been repaid and reduced during the Track Record Period by a sum of about HK\$142 million up to 31 December 2011 by using internally generated resources of our Group. For details of the loan arrangements between CC Land and our Group and the subsequent settlement of the loan due to CC Land, please refer to the paragraph headed "Our Reorganisation" under the section headed "History, development and corporate structure" in this prospectus. All outstanding balance due to and from any member of our Group from/to the Remaining CC Land Group has been settled or waived before the Listing Date. Such inter-company debt will not undermine the financial independence of our Group as it generates positive cash-flow year on year and, thus, it is not dependent upon this inter-company balance.

As at the Latest Practicable Date, the estimated aggregate contingent liability of the Remaining CC Land Group in respect of all these corporate guarantees was about HK\$32.0 million.

So far as practicable, our Company will seek to work with CC Land and the relevant parties to seek to novate the relevant guarantee obligations to other entities within the Group. Our Directors confirm that all the guarantees provided by CC Land Group for the Group will be released before or upon the Listing. Moreover, on an ongoing basis following the Listing, the Company does not intend that any member of the Remaining CC Land Group will issue any corporate guarantees for any members of our Group. Agreements in principle for the release of such guarantees to be replaced by other security and/or corporate guarantees to be provided by our Group upon Listing have been obtained from the relevant banks.

On the basis above, our Directors are of the view that the financial system of our Group is independent from the Remaining CC Land Group, and our Group will not have any outstanding balances with, and guarantees from or to, the Remaining CC Land Group upon Listing.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS AND CC LAND

Continuing connected transaction between the Remaining CC Land Group and our Group

Upon Listing, there will be a transaction between the Group and the Remaining CC Land Group which will constitute continuing connected transaction for our Company under the Listing Rules. The details of which are set out in the section headed “Connected Transaction” in this prospectus. Such continuing connected transaction would continue to be conducted on normal commercial terms.

DEED OF NON-COMPETITION

The Controlling Shareholders and CC Land have entered into the Deed of Non-competition on 21 June 2012 in favor of the Company, pursuant to which each of the Controlling Shareholders and CC Land has irrevocably undertaken to our Company (for itself and on behalf of each other member of our Group) that he/it would not, and would procure that his/its associates (except any members of our Group) would not, during the Restricted Period (as defined below), directly or indirectly, either on his/its own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate or be interested or engaged in or acquire or hold (in each case whether as a shareholder, director, partner, agent, employee or otherwise, and whether for profit, reward or otherwise) any business which is or may be in competition, directly or indirectly, with the Group’s manufacturing, sourcing and sale of packaging products and display units business (the “**Restricted Business**”).

Each of the Controlling Shareholders and CC Land has also undertaken to our Company the following:—

- a. subject to such confidentiality restrictions or requirements as may be applicable or reasonably necessary, provide all information reasonably requested by our Company which is necessary and only to the extent required for an annual review by our independent non-executive Directors of his/its compliance with the terms and the enforcement of the Deed of Non-competition; and
- b. to make an annual declaration on compliance with his/its undertaking under the Deed of Non-competition in the annual reports of our Company as our independent non-executive Directors think fit and/or as required by the relevant requirements under the Listing Rules.

The Deed of Non-competition does not apply to:

- a. the holding of or interests in the shares of any member of our Group; or
- b. the holding of or interests in the shares of a company other than our Group which shares are listed on a recognised stock exchange provided that:
 - i. any Restricted Business conducted or engaged in by such company (and assets relating thereto) accounts for less than 10% of that company’s consolidated turnover or consolidated assets, as shown in that company’s latest audited accounts; or

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS AND CC LAND

- ii. the total number of the shares held by the relevant Controlling Shareholder, CC Land and/or his/its associates in aggregate does not exceed 5% of the issued shares of that class of the company in question and such Controlling Shareholder, CC Land and/or his/its associates, whether acting singly or jointly, are not entitled to appoint a majority of the directors of that company and at any time there should exist at least another shareholder of that company (together, where appropriate, with its associates) whose shareholdings in that company should be more than the total number of shares held by the Controlling Shareholder, CC Land and his/its associates in aggregate.

The obligation of the Controlling Shareholders and CC Land under the Deed of Non-competition will remain binding until the onset of the following event:

- (a) the date on which the Shares cease to be listed on the Stock Exchange; or
- (b) in respect of a Controlling Shareholder, the date on which that Controlling Shareholder and/or his/its associates collectively ceases to hold 30% or more of the equity interest in our Company; or
- (c) in respect of a Controlling Shareholder, the date on which that Controlling Shareholder and/or his/its associates, jointly and severally, ceases to be entitled to exercise or control the exercise of 30% or more in aggregate of the voting power at general meetings of our Company,

whichever occurs first (the “**Restricted Period**”). In other words, if our Company was no longer listed on the Stock Exchange or the relevant Controlling Shareholder came to hold less than 30% of the Shares then in issue, the Deed of Non-competition would not apply. We believe the 30% threshold is justifiable as it is equivalent to the thresholds applied under the Listing Rules and the Takeovers Code for the concept of “control”.

CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following measures to manage the conflicts of interests arising from the possible competing business of CC Land and our Controlling Shareholders and to safeguard the interest of the Shareholders:

- a. our independent non-executive Directors will review, on an annual basis, the compliance with the Deed of Non-competition by CC Land and our Controlling Shareholders;
- b. our Company will disclose decisions on matters reviewed by our independent non-executive Directors relating to compliance and enforcement of the Deed of Non-competition by CC Land and our Controlling Shareholders in the annual reports of our Company;
- c. our Directors operate in accordance with our Bye-laws which require the interested Director not to 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 associates is materially interested; and

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS AND CC LAND

- d. pursuant to the CG Code, our Directors, including the independent non-executive Directors, will be able to seek independent professional advice from external parties in appropriate circumstances at our Company's cost.

Our Company is expected to comply with the CG Code which sets out principles of good corporate governance in relation to, among others, Directors, the chairman and chief executive officer, Board composition, the appointment, re-election and removal of Directors, their responsibilities and remuneration and communications with our Shareholders. Our Company will state in its interim and annual reports whether we have complied with the CG Code, and will provide details of, and reasons for, any deviation from it in the corporate governance report which will be included in our annual report.

NON-DISPOSAL UNDERTAKINGS

Each of our Controlling Shareholders is restricted from, and has given certain undertakings to the Stock Exchange and us in relation to, the disposal of Shares pursuant to Rule 10.07 of the Listing Rules. For further details, please refer to the section headed "Underwriting — Undertakings" in this prospectus.

CONNECTED TRANSACTION

We have entered into certain transactions with our connected persons which will continue after the Listing, thereby constituting a continuing connected transaction of our Company under the Listing Rules.

OUR CONNECTED PERSONS

Immediately following the Listing, Thrivetrade, a Controlling Shareholder of our Company, will hold about 41.38% of the issued share capital in CC Land, assuming that there would not be any change in the issued share capital of CC Land as from the Latest Practicable Date up to the Listing and that Thrivetrade would not dispose of any CC Land Shares nor acquire additional CC Land Shares prior to the Listing. Accordingly, CC Land will be a connected person of our Company for the purpose under Chapter 14A of the Listing Rules.

Under the Listing Rules, for so long as CC Land remains a connected person of our Company, the following transaction between our Group and the Remaining CC Land Group would constitute continuing connected transaction for our Company upon Listing.

EXEMPT CONTINUING CONNECTED TRANSACTION

Following the Listing Date, the following transaction will be regarded as a continuing connected transaction exempt from reporting, announcement, annual review and independent shareholders' approval requirements under Rule 14A.33 of the Listing Rules

CUC Existing Licence Agreement

Description of the transaction

Our Group and the Remaining CC Land Group have been sharing the office premises with a total gross floor area of about 10,341 square feet (saleable area: 8,551 square feet) located at 15th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong (the "**CUC Office Premises**"). The CUC Office Premises are owned by King Place, our wholly-owned subsidiary. The Remaining CC Land Group has been granted a licence by King Place to use of a portion comprising 7,425 square feet (saleable area: 5,686 square feet) of the CUC Office Premises (the "**Shared Portion**") pursuant to a licence agreement dated 30 September 2011 for a term expiring on 30 September 2012 and at a monthly licence fees of HK\$71,280 (the "**CUC Existing Licence Agreement**"). Pursuant to the CUC Existing Licence Agreement, and based on the fact that use of the Shared Portion is being shared between our Group and the Remaining CC Land Group in common, the net amount of the monthly licence fees borne by the Remaining CC Land Group is HK\$35,640 inclusive of management fees, government rates and air-conditioning charges on the use of the share of the Shared Portion by the Remaining CC Land Group. The remaining portion of 2,916 square feet (saleable area: 2,334 square feet) of the CUC Office Premises has been licensed to Theme Production, a non wholly-owned subsidiary of our Group.

King Place entered into a licence agreement ("**CUC New Licence Agreement**") with the Remaining CC Land Group on 20 June 2012. Pursuant to the CUC New Licence Agreement, our Group agreed to grant a licence to the Remaining CC Land Group to use a saleable area of approximately 2,876 square feet of the CUC Office Premises for a licence fee of HK\$80,000 per month (exclusive of the licensed area's share of government rent, rates, management fee, air-conditioning, electricity and cleaning charges and all other outgoings) upon the Spin-off.

CONNECTED TRANSACTION

The CUC New Licence Agreement is on normal commercial terms and in compliance with all applicable provisions of the Listing Rules. The CUC New Licence Agreement has a term of three years with effect from the Spin-off and is renewable, subject to compliance with the then applicable provisions of the Listing Rules, unless it is terminated earlier by either party giving one month's prior written notice. The CUC Existing Licence Agreement will be terminated immediately before the commencement of the CUC New Licence Agreement.

Historical transaction amounts

For the three financial years ended 31 December 2009, 2010, and 2011, the net amount of annual licence fees paid by the Remaining CC Land Group to King Place for the use of the Shared Portion amounted to about HK\$513,000, HK\$513,000 and HK\$492,000, respectively.

Listing Rules implications

As the highest relevant percentage ratio in respect of the license fees payable under the CUC New Licence Agreement will be, on an annual basis, less than 5% and the annual consideration will be less than HK\$1,000,000 and the CUC New Licence Agreement is on normal commercial terms, it will constitute a de minimis continuing connected transaction exempt pursuant to Rule 14A.33 of the Listing Rules from reporting, annual review, announcement and the independent shareholders' approval requirements in Chapter 14A of the Listing Rules.

Confirmation from Directors

Our Directors (including our independent non-executive Directors) are of the view that the continuing connected transaction described in this section is on normal commercial terms and is fair and reasonable, and in the interests of the Shareholders as a whole.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

DIRECTORS

Our Board consists of four executive Directors, two non-executive Directors and three independent non-executive Directors. The following table sets forth certain information in respect of our Directors:

Name	Age	Position/Title in our Group
Dr. LAM How Mun Peter (林孝文)	64	Non-executive Director and chairman of the Board
Ms. POON Ho Yee Agnes (潘浩怡)	44	Executive Director and Managing Director
Mr. WU Hong Cho (胡匡佐)	66	Executive Director
Mr. LAM Hiu Lo (林曉露)	50	Executive Director
Mr. LEUNG Chun Cheong (梁振昌)	62	Executive Director
Mr. LEUNG Wai Fai (梁偉輝)	51	Non-executive Director
Mr. CHAN Sze Hung (陳仕鴻)	59	Independent non-executive Director
Mr. TAM Kwok Fai Paul (譚國輝)	45	Independent non-executive Director
Dr. LEUNG Wai Keung (梁偉強)	54	Independent non-executive Director

Chairman of the Board and Non-executive Director

Dr. LAM How Mun Peter (林孝文), aged 64, is a non-executive Director and the chairman of our Board since 19 June 2012 and is also a member of our remuneration committee and the chairperson of our nomination committee. Dr. Lam was one of the founders of our Group in 1989, and has been responsible for strategic development and overall management. Dr. Lam is currently a director of the following companies in our Group:

- Big Focus
- Empire New Assets
- King Place
- Onestep Enterprises
- Permate Production
- Qualipak Development
- Qualipak Fortune
- Qualipak Manufacturing
- Qualipak Manufacturing China
- Qualipak Nominees
- Qualipak Production
- Qualipak Zhongshan
- T Plus
- Technical Development
- Technical HK Manufacturing
- Technical International
- Theme Production
- Winning Hand
- Wisdom Way

DIRECTORS, SENIOR MANAGEMENT AND STAFF

He is also one of the founders, deputy chairman (since 22 November 2006), managing director (since 9 April 1999) and executive director (since 3 June 1998) of CC Land and serves as a director of several companies within the CC Land Group. In addition to his extensive experience in medical practice and with his current and previous positions in our Group and the CC Land Group, Dr. Lam has obtained over 20 years of extensive experience in corporate management, the real estate and investment within the manufacturing industry. Currently, he spends only a limited amount of his time on his medical practice. Dr. Lam graduated from The University of Hong Kong in 1972 with a bachelor's degree in medicine and surgery. He is a fellow of the Royal College of Surgeons of Edinburgh and the American College of Surgeons. Save as disclosed herein, Dr. Lam has not been a director of any companies listed on the Stock Exchange or other exchanges for the past three years.

Executive Directors

Ms. POON Ho Yee Agnes (潘浩怡), aged 44, is a Director since 28 November 2011 and re-designated as an executive Director and appointed Managing Director both since 18 May 2012. She is also a member of our nomination committee. Ms. Poon joined our Group in 1990 upon her graduation. She is currently responsible for sales and marketing management and manufacturing operations.

Ms. Poon is currently the head of sales and marketing department of our Group and is also currently a director of the following companies in our Group:

- Big Focus
- Empire New Assets
- King Place
- Onestep Enterprises
- Permate Production
- Qualipak Development
- Qualipak Fortune
- Qualipak Manufacturing
- Qualipak Manufacturing China
- Qualipak Nominees
- Qualipak Production
- Qualipak Zhongshan
- Theme Production
- Winning Hand
- Wisdom Way

She has also been an executive director of CC Land since 3 June 1998. It is expected that Ms. Poon will resign from her directorship in CC Land upon Listing. With her current and previous positions within our Group and the Remaining CC Land Group, Ms. Poon has obtained over 20 years of extensive experience in sales and marketing within the manufacturing industry. Ms. Poon graduated from The University of Hong Kong with a master's degree in electronic commerce and internet computing in 2003 and from Simon Fraser University with a bachelor's degree in business administration in 1990. In 2006, she also obtained a master's degree in counseling from The University of South Australia. Save as disclosed herein, Ms. Poon has not been a director of any companies listed on the Stock Exchange or other exchanges for the past three years.

Mr. WU Hong Cho (胡匡佐), aged 66, is an executive Director since 18 May 2012 and is generally responsible for overseeing the legal and corporate compliance of the Group. Mr. Wu is currently a director of Big Focus and Qualipak Zhongshan, indirect wholly-owned subsidiaries of our Company. He was also an executive director of CC Land since 7 July 2006 until his retirement by rotation as director of CC Land on 18 May 2012. Prior to joining our Group, Mr. Wu held senior positions and was in charge of the financial matters in a number of companies listed on the Stock Exchange.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

From 2002 to July 2008, Mr. Wu was an independent non-executive director of Beiren Printing Machinery Holdings Limited, the shares of which are listed on the Stock Exchange (stock code:187) and the Shanghai Stock Exchange (SHA:600860). He was also an executive director of NewOcean Energy Holdings Limited, the shares of which are listed on the Stock Exchange (stock code:342) from January 2000 to June 2006 and a non-executive director from July 2006 to June 2010. From 1 July 1992 to 1 January 2000, Mr. Wu was an executive director of CNT Group Limited, the shares of which are listed on the Stock Exchange (stock code: 701) (“CNT”). With his current and previous positions in our Group, the Remaining CC Land Group and other institutions, Mr. Wu has obtained more than 15 years of experience in corporate finance and management. Mr. Wu graduated from The University of Hong Kong with a bachelor’s degree in laws in 1986. He became a practising solicitor in Hong Kong in 1990 and has accumulated over 10 years of experience in private practice.

Mr. Wu was a director of the following 23 companies which were all incorporated in Hong Kong prior to their respective dissolution:

Name of company	Principal business activity prior to dissolution	Date of dissolution	Means of dissolution <i>(Note 1-4)</i>	Reasons for dissolution
Gold United International Limited <i>(Note 7)</i>	investment holding	October 2000	deregistration	cessation of business
Eastex Management Limited <i>(Note 7)</i>	business acquisition	May 2002	striking off	cessation of business
Sunny Million Development Limited <i>(Note 7)</i>	corporate services	September 2002	deregistration	cessation of business
Winslam Investment Limited <i>(Note 7)</i>	business acquisition	September 2002	striking off	cessation of business
Bold Straight Investment Limited <i>(Note 7)</i>	business acquisition	September 2002	striking off	cessation of business
Sunskind Limited <i>(Note 6)</i>	providing management services	December 2005	deregistration	cessation of business
Boveric Limited <i>(Note 7)</i>	business acquisition	September 2007	striking off	cessation of business
Frankrise Investment Limited <i>(Note 7)</i>	investment holding	September 2007	striking off	cessation of business
Lexco Technology Limited <i>(Note 7)</i>	investment holding	August 2009	striking off	cessation of business

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Name of company	Principal business activity prior to dissolution	Date of dissolution	Means of dissolution	Reasons for dissolution
S & C Motors Limited <i>(Note 5)</i>	automobile import	March 2000	creditors' voluntary winding up	insolvency
NCH Horizon Limited <i>(Note 5)</i>	investment holding	April 2003	creditors' voluntary winding up	insolvency
The New China Hong Kong Investments Limited <i>(Note 5)</i>	investment holding	February 2007	creditors' voluntary winding up	insolvency
The New China Hong Kong Properties Limited <i>(Note 5)</i>	property holding	in the process of winding up	creditors' voluntary winding up	insolvency
The New China Hong Kong Trading (Beijing) Limited <i>(Note 5)</i>	trading	in the process of winding up	creditors' voluntary winding up	insolvency
Tat Hung Investments Limited <i>(Note 5)</i>	investment holding	February 2007	creditors' voluntary winding up	insolvency
Happy Trade Limited <i>(Note 5)</i>	property holding	June 2003	winding up by the court	insolvency
Barmain Investments Limited <i>(Note 7)</i>	business acquisition	September 2002	striking off	cessation of business
Eastrise Advertising Limited <i>(Note 7)</i>	name holding	September 2002	striking off	cessation of business
Asia Concept Consultants Limited <i>(Note 6)</i>	providing consultancy services	April 2006	deregistration	cessation of business
21st Century Corporate Services Limited <i>(Note 7)</i>	name holding	October 2006	striking off	cessation of business
Concord Union International Limited <i>(Note 7)</i>	business acquisition	September 2007	striking off	cessation of business
Sound Ocean Group Limited <i>(Note 7)</i>	name holding	June 2008	striking off	cessation of business
China President Shareholding Limited <i>(Note 7)</i>	name holding	May 2009	striking off	cessation of business

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Notes:

1. “creditors’ voluntary winding up”, in the context of Hong Kong law, refers to the voluntary winding up of a company made (a) pursuant to section 228 or 241 of the Companies Ordinance in circumstances where the company is insolvent and has already ceased operation at the time of the winding up of the company is contemplated or (b) pursuant to section 228A of the Companies Ordinance in circumstances where at the time of the winding up of the company is contemplated, the company cannot by reason of its liabilities continue its business and there is an urgent need of placing the company in liquidation because it is not reasonably practicable for the winding up to be commenced in other manner.
2. “deregistration”, in the context of Hong Kong law, refers to the process whereby a private company incorporated under the Companies Ordinance which has ceased its operation and is not insolvent applies to the Companies Registry of Hong Kong for deregistration pursuant to section 291AA of the Companies Ordinance.
3. “striking off”, in the context of Hong Kong law, refers to striking off the name of a company from the register of companies by the Registrar of Companies of Hong Kong under section 291 of the Companies Ordinance.
4. “winding up by the court”, in the context of Hong Kong law, refers to the compulsory winding up of a company which is ordered by the Court of First Instance of Hong Kong pursuant to section 177 of the Companies Ordinance.
5. CNT had a direct or indirect shareholding interest in or business relationship with but did not have majority control over these companies. As a director of CNT, Mr. Wu was mainly responsible for legal and compliance matters and was appointed as a director in these companies to represent the interest of CNT. Mr. Wu’s role in these companies was mainly to safeguard the interest of CNT and he was not involved in any management function or day-to-day operation of these companies. The commencement of winding up of these companies took place in 1999.
6. Sunskind Limited and Asia Concept Consultants Limited were owned respectively 100% and 50% by Mr. Wu for the purpose of providing management and consultant services to corporations in relation to corporate finance in Hong Kong and the PRC during the period from 1993 to 2006. These companies were dissolved after the relevant services were completed.
7. These companies were set up for the purpose of intended business acquisitions and mergers in which Mr. Wu or his service companies acted as consultants, with Mr. Wu acting as a director as part of his services. Mr. Wu confirmed that the purposes of these companies were only to provide an appropriate acquisition structure (including the holding of new corporate names) during the course of certain acquisitions and mergers which Mr. Wu or his service companies acted consultants, and the companies were dissolved when their purposes had been fulfilled.

Mr. Wu confirmed that there is no wrongful act on his part leading to such dissolution and is not aware of any actual or potential claim has been or will be made against him as a result of the above dissolution, and that his involvement in the above 23 companies was part and parcel of his services and that no misconduct or misfeasance had been involved in the dissolution of these companies. Save as disclosed herein, Mr. Wu has not been a director of any companies listed on the Stock Exchange or other exchanges for the past three years.

Mr. LAM Hiu Lo (林曉露), aged 50, is an executive Director since 18 May 2012. Mr. Lam joined the CC Land Group in 2000 as the executive director of CC Land. He is generally responsible for formulating PRC sales and marketing strategies and monitoring market development.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Mr. Lam is currently a director of the following companies in our Group:

- Permate Production
- Qualipak Development
- Qualipak Fortune
- Qualipak Manufacturing
- Qualipak Manufacturing China
- Qualipak Nominees
- Qualipak Production
- Winning Hand
- Wisdom Way

He also serves as a director of several companies within the CC Land Group. It is expected that Mr. Lam will resign from his directorship within the Remaining CC Land Group upon Listing. He is also an executive director of Yugang, a company listed on the Stock Exchange (stock code: 613), since 1993. With his current and previous positions in our Group, the Remaining CC Land Group and Yugang, Mr. Lam has obtained 25 years of executive experience in sales and marketing in the PRC. Mr. Lam was a director of the following companies which were incorporated in Hong Kong or the BVI prior to their dissolution:

Name of company	Principal business activity prior to dissolution	Date of dissolution	Means of dissolution	Reasons for dissolution
<i>Incorporated in Hong Kong</i>				
Strong Power Enterprise Limited	inactive	April 2007	deregistration <i>(Note 1)</i>	cessation of business
<i>Incorporated in the BVI</i>				
Sides Pacific Limited	dormant	May 2011	striking off <i>(Note 2)</i>	cessation of business
Smart Match Limited	dormant	November 2004	striking off <i>(Note 2)</i>	cessation of business

Notes:

1. “deregistration”, in the context of Hong Kong law, refers to the process whereby a private company incorporated under the Companies Ordinance which has ceased its operation and is not insolvent applies to the Companies Registry of Hong Kong for deregistration pursuant to section 291AA of the Companies Ordinance.
2. “striking off”, in the context of the BVI law, means the process whereby the name of a BVI company is struck off the register of companies maintained by the Registrar of Corporate Affairs of the BVI due to reasons as set out in Division 3, Part XII of the Business Companies Act, 2004 of the BVI.

Mr. Lam confirmed that there is no wrongful act on his part leading to such dissolution and is not aware of any actual or potential claim has been or will be made against him as a result of the above dissolution. Save as disclosed herein, Mr. Lam has not been a director of any companies listed on the Stock Exchange or other exchanges for the past three years.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Mr. LEUNG Chun Cheong (梁振昌), aged 62, is a Director since 28 November 2011 and re-designated as an executive Director since 18 May 2012.

Mr. Leung is currently the head of finance department of our Group and is also currently a director of the following companies in our Group:

- Big Focus
- Empire New Assets
- King Place
- Onestep Enterprises
- Permate Production
- Qualipak Development
- Qualipak Fortune
- Qualipak Manufacturing
- Qualipak Manufacturing China
- Qualipak Nominees
- Qualipak Production
- Qualipak Zhongshan
- T Plus
- Technical Development
- Technical HK Manufacturing
- Technical International
- Theme Production
- Winning Hand
- Wisdom Way

Mr. Leung joined our Group in 1995 as our financial controller and has been appointed an executive director of CC Land since 3 June 1998. He has since 1998 been generally responsible for overseeing the financial control of both our Group and the Remaining CC Land Group. He has also served as a director of several companies within the CC Land Group. Prior to joining our Group, Mr. Leung was an assistant accountant in Lowe Bingham & Matthews, Price Waterhouse & Co. (currently known as PricewaterhouseCoopers) from November 1969 to July 1977. From September 1980 to November 1981, he was a chief accountant of a financial group, namely Panin International Finance Corporation Limited. He also held senior position in Nelson Wheeler from July 1984 to September 1989. With his current and previous positions in our Group, the Remaining CC Land Group, and other institutions, Mr. Leung has obtained over 35 years of extensive experience in professional accounting and finance. He is a fellow of the Association of Chartered Certified Accountants in the United Kingdom and an associate of the Hong Kong Institute of Certified Public Accountants. Save as disclosed herein, Mr. Leung has not been a director of any companies listed on the Stock Exchange or other exchanges for the past three years.

Non-executive Director

Mr. LEUNG Wai Fai (梁偉輝), aged 51, is a non-executive Director since 19 June 2012. Mr. Leung joined the CC Land Group in 1999 as an executive director of CC Land. He is generally responsible for overseeing the corporate finance and management.

Mr. Leung is currently a director of the following companies in our Group:

- Onestep Enterprises
- Qualipak Development
- Qualipak Manufacturing

He also serves as a director of several companies within the CC Land Group. In addition, he is a group financial controller of Yugang. With his current and previous positions in our Group, the Remaining CC Land Group and Yugang, Mr. Leung has obtained over 20 years of extensive experience in accounting and financial reporting.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Mr. Leung graduated from the University of Wisconsin-Madison with a bachelor's degree in business administration in 1985. He is a fellow of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants in the United Kingdom. Mr. Leung is an executive director of The Cross-Habour (Holdings) Limited, a company listed on the Stock Exchange (stock code: 32). Mr. Leung was a director of the following 2 companies, both of which were incorporated in Hong Kong prior to their respective dissolution:

Name of company	Principal business activity prior to dissolution	Date of dissolution	Means of dissolution	Reasons for dissolution
Starich Development Limited	dormant	May 2007	deregistration	cessation of business
Urlingford Limited	dormant	December 2006	deregistration	aged dormant

Note:

“deregistration”, in the context of Hong Kong law, refers to the process whereby a private company incorporated under the Companies Ordinance which has ceased its operation and is not insolvent applies to the Companies Registry of Hong Kong for deregistration pursuant to section 291AA of the Companies Ordinance.

Mr. Leung confirmed that there is no wrongful act on his part leading to such dissolution and is not aware of any actual or potential claim has been or will be made against him as a result of the above dissolution. Save as disclosed herein, Mr. Leung has not been a director of any companies listed on the Stock Exchange or other exchanges for the past three years.

Independent non-executive Directors

Mr. CHAN Sze Hung (陳仕鴻), aged 59, is our independent non-executive Director since 19 June 2012 and is a member of our audit committee, the chairperson of our remuneration committee and a member of our nomination committee. Mr. Chan is currently a consultant of Chan, Lau & Wai, a firm of solicitors in Hong Kong. He has over 30 years' working experiences in the legal profession. He received his bachelor's degree in laws from The University of Hong Kong in 1975. Mr. Chan is currently a non-executive director of Asia Orient Holdings Limited which is listed on the Stock Exchange (stock code: 214). Mr. Chan was a director of the following company which was incorporated in Hong Kong prior to its dissolution:

Name of company	Principal business activity prior to dissolution	Date of dissolution	Means of dissolution	Reasons for dissolution
Hong Kong Enterprise International Limited	investment holding	August 2004	deregistration	cessation of business

Note:

“deregistration”, in the context of Hong Kong law, refers to the process whereby a private company incorporated under the Companies Ordinance which has ceased its operation and is not insolvent applies to the Companies Registry of Hong Kong for deregistration pursuant to section 291AA of the Companies Ordinance.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Mr. Chan confirmed that there is no wrongful act on his part leading to such dissolution and is not aware of any actual or potential claim has been or will be made against him as a result of the above dissolution. Save as disclosed herein, Mr. Chan has not been a director of any companies listed on the Stock Exchange or other exchanges for the past three years.

Mr. TAM Kwok Fai Paul (譚國輝), aged 45, is our independent non-executive Director since 19 June 2012 and is also the chairperson of our audit committee, a member of our remuneration committee and our nomination committee. Mr. Tam is currently an associate partner of a certified public accountants firm in Hong Kong. He has over 20 years' working experiences in the assurance, accounting, taxation and financial management. He received his bachelor's degree in accounting from Hong Kong Baptist University in 1992. Mr. Tam is an associate of The Institute of Chartered Accountants in England and Wales. He is also a fellow of the Association of Chartered Certified Accountants in the United Kingdom and the Hong Kong Institute of Certified Public Accountants.

Mr. Tam was a director of the following 11 companies which were incorporated in Hong Kong or the BVI prior to their respective dissolution:

Name of company	Principal business activity prior to dissolution	Date of dissolution	Means of dissolution	Reasons for dissolution
<i>Incorporated in Hong Kong</i>				
B.W. Management Services Limited	providing nominee services	September 2001	striking off	cessation of business
Baldwin Nominees Limited	providing nominee services	September 2001	striking off	cessation of business
Eastlink (Asia) Limited	holding of unlisted shares in Taiwan	December 2010	deregistration	cessation of business
Guardian Nominees Limited	providing nominee services	September 2001	striking off	cessation of business
Integrity Nominees Limited	providing nominee services	September 2001	striking off	cessation of business
Janser Limited	providing nominee services	February 2007	deregistration	cessation of business
Maxford Limited	providing nominee services	April 2002	striking off	cessation of business
Panasia Secretariat (Hong Kong) Limited	providing company secretarial service	June 2003	striking off	cessation of business
Panasia Secretaries Limited	providing company secretarial service	June 2001	striking off	cessation of business

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Name of company	Principal business activity prior to dissolution	Date of dissolution	Means of dissolution	Reasons for dissolution
<i>Incorporated in the BVI</i>				
Global King Technologies Limited	investment holding	November 2009	striking off	cessation of business
New Palace Limited	investment holding	November 2004	striking off	cessation of business

Notes:

1. “deregistration”, in the context of Hong Kong law, refers to the process whereby a private company incorporated under the Companies Ordinance which has ceased its operation and is not insolvent applied to the Companies Registry of Hong Kong for deregistration pursuant to section 291AA of the Companies Ordinance.
2. “striking off”, in the context of Hong Kong law, refers to striking off the name of a company from the register of companies by the Registrar of Companies of Hong Kong under section 291 of the Companies Ordinance.
3. “striking off”, in the context of the BVI law, means the process whereby the name of a BVI company is struck off the register of companies maintained by the Registrar of Corporate Affairs of the BVI due to reasons as set out in Division 3, Part XII of the Business Companies Act, 2004 of the BVI.

Mr. Tam confirmed that there is no wrongful act on his part leading to such dissolution and is not aware of any actual or potential claim has been or will be made against him as a result of the above dissolution. Mr. Tam has not been a director of any companies listed on the Stock Exchange or other exchanges for the past three years.

Dr. LEUNG Wai Keung (梁偉強), aged 54, is our independent non-executive Director since 19 June 2012 and is also a member of our audit committee, remuneration committee and nomination committee. Dr. Leung is currently a director of master of business administration (executive) programme and an associate professor in the marketing department at City University of Hong Kong. He has over 18 years’ working experiences in tertiary education. He received his master’s degree in information and computer science from Georgia Institute of Technology in 1981, and he also received his master’s degree in industrial engineering and degree of doctor of philosophy from the University of Wisconsin-Madison in 1985 and 1987 respectively. He worked as an associate professor in the department of management sciences of City University of Hong Kong from 1996 to 2001. Dr. Leung also provided seminars and training courses for local companies in Hong Kong including Vitasoy International Holdings Limited, Hong Kong Red Cross, Social Welfare Department, Japan Airlines, Civil Service Training and Development Institute and Hong Kong Retail Management Association. Dr. Leung was a director of the following company which was incorporated in the state of North Carolina of the US prior to its dissolution:

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Name of the company	Principal business activity prior to dissolution	Date of dissolution	Means of dissolution	Reasons for dissolution
Tackle Inc.	provide consultancy services	May 1993	administrative dissolution	cessation of business

Note:

“administrative dissolution” in the context of the law of the State of North Carolina of the US, means under the North Carolina Business Corporation Act, N.C.G.S. § 55-14-20, the involuntary dissolution of a corporation organized under the laws of the State of North Carolina, the US by the Secretary of State of North Carolina, the US upon the occurrence of any of the following events: (1) the corporation’s failure to timely pay certain fees; (2) the corporation’s failure to timely deliver its annual report; (3) the corporation’s failure to maintain a registered agent and/or office in the state for more than sixty days; (4) the corporation’s failure to timely notify the Secretary of State of the State of North Carolina, the US that its registered agent or office has changed; (5) the expiration of the corporation’s term of duration, as provided in the articles of incorporation; or (6) the corporation’s failure to timely answer interrogatories asserted by the Secretary of State of the State of North Carolina, the US.

Dr. Leung confirmed that there is no wrongful act on his part leading to such dissolution and is not aware of any actual or potential claim has been or will be made against him as a result of the above dissolution. Dr. Leung has not been a director of any companies listed on the Stock Exchange or other exchanges for the past three years.

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

COMPANY SECRETARY

Ms. FUNG Pui Ling (馮佩玲), aged 41, is our company secretary. Ms. Fung joined our Group in 2000. Prior to this, she served company secretarial roles in a professional accounting firm in Hong Kong. With her previous and current positions in our Group, the Remaining CC Land Group and other institutions, Ms. Fung has obtained over 15 years of experience as a company secretary. Ms. Fung graduated from The Open University of Hong Kong in 2003 with a bachelor’s degree in business administration. She is an associate of the Institute of Companies Secretaries and Administrators in the United Kingdom and the Hong Kong Institute of Chartered Secretaries.

BOARD COMMITTEES

Audit committee

Pursuant to Rule 3.21 of the Listing Rules, an audit committee was established by our Board on 19 June 2012 with written terms of reference in compliance with the Code as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and supervise our Group’s financial report process and internal control system. The audit committee comprises 3 independent non-executive Directors, namely Mr. Tam Kwok Fai Paul, Dr. Leung Wai Keung and Mr. Chan Sze Hung. Mr. Tam Kwok Fai Paul is the chairperson of the audit committee.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Remuneration committee

We established the remuneration committee on 19 June 2012 with written terms of reference in compliance with the CG Code. The primary duties of the remuneration committee are to make recommendations to our Board on the remuneration policies and structure of the remuneration for the Directors and senior management and to set up a formal and transparent procedure for determination of such remuneration policies. The remuneration committee comprises 3 independent non-executive Directors, namely Mr. Chan Sze Hung, Dr. Leung Wai Keung and Mr. Tam Kwok Fai Paul and one non-executive Director, namely, Dr. Lam. Mr. Chan Sze Hung is the chairperson of the remuneration committee.

Nomination committee

We established the nomination committee on 19 June 2012 with written terms of reference in compliance with the CG Code. The primary duties of the nomination committee are to make recommendations to our Board on the appointment of Directors and senior management. The nomination committee comprises 3 independent non-executive Directors, namely Mr. Chan Sze Hung, Dr. Leung Wai Keung and Mr. Tam Kwok Fai Paul, a non-executive Director, namely Dr. Lam and an executive director, namely Ms. Poon Ho Yee Agnes. Dr. Lam is the chairperson of the nomination committee.

DIRECTORS' REMUNERATION

During the Track Record Period, the aggregate amount of discretionary bonus paid by our Group to our Directors were about HK\$1.5 million, HK\$1.0 million, and HK\$1.0 million, respectively, for each of the financial years ended 31 December 2009, 2010, and 2011. Our Group also paid certain management fees to CC Land during the Track Record Period for the portion attributable to our Group in sharing, among other things, the salaries of the directors of CC Land who also oversaw our business during the Track Record Period. Please refer to Note 9 headed "Directors' remuneration" to the Accountants' Report in Appendix I to this prospectus for further details.

Our Directors' remuneration is determined with reference to our Group's operating results, duties and level of responsibility of the Directors and the prevailing market conditions.

During the Track Record Period, no remuneration was paid by our Group to, or receivable by, our Directors or the five highest paid individuals as an inducement to join or upon joining our Group. No compensation was paid by our Group to, or receivable by, our Directors or the five highest paid individuals for each of the financial years ended 31 December 2009, 2010 and 2011 for the loss of any office in connection with the management of the affairs of any subsidiary in our Group. In addition, none of our Directors waived any emoluments for any of the last three years.

Save as disclosed above, no other payments have been paid or are payable, by our Company or any of our subsidiaries to our Directors and the five highest paid individuals during the Track Record Period.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Under the remuneration policy of our Company, the remuneration committee of our Board will consider factors such as salaries paid by comparable companies, time commitment, responsibilities and performance of our Directors and senior management as the case may be, in assessing the amount of remuneration payable to our Directors and such employees. It is estimated that under the arrangements currently in force, the aggregate remuneration of the Directors payable in respect of the year ending 31 December 2012 is estimated to be about HK\$2.3 million.

STAFF

As at 31 December 2011, our Group employed 74 employees. The table below sets forth the number of employees in the respective function of our Group as at 31 December 2011:

Area of operation	As at 31 December 2011 Number of our staff
Management	8
Production	Nil
Sales and marketing	19
Procurement and inventory	11
Product design and development	3
Quality control	7
Finance and accounting	12
Shipping	7
General administration	7
Total	74

We consider our relationship with our employees to be good. We believe that our management policies, working environment, development opportunities and employee benefits have contributed to building good employee relations and employee retention.

During the Track Record Period, we have not experienced any strikes, work stoppages or significant labour strikes in the past and have not experienced any significant difficulties in recruiting or retaining qualified staffs.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Employees' benefits

Our Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the “**MPF Scheme**”) under the Mandatory Provident Fund Schemes Ordinance (Cap.485 of the Laws of Hong Kong) for all employees joining our Group after 1 December 2000 in Hong Kong who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement 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 our Group in an independently administered fund. All mandatory contributions made to the MPF Scheme are fully and immediately vested in the employees. Our Group's voluntary contributions to the MPF Scheme are vested in the employees at the vesting scale specified in the rules of the MPF Scheme.

Before the implementation of the MPF Scheme in December 2000, our Group has voluntarily operated a defined contribution retirement benefits scheme regulated under the Occupational Retirement Schemes Ordinance (Cap.429 of the Laws of Hong Kong) (the “**ORSO Scheme**”). The ORSO Scheme has been granted exemption from complying with Mandatory Provident Fund requirements under the MPF Schemes (Exemption) Regulation, and has continued to operate for all the then employees who have chosen to join the ORSO Scheme. The assets of the ORSO Scheme are held separately from those of our Group in a provident fund managed by an independent trustee. Contributions to the fund by our Group are made at the rates specified in the rules of the ORSO Scheme. Where there are employees who leave the ORSO Scheme prior to being vested in full of the contributions, the contributions payable by our Group will be reduced by the amount of forfeited contributions.

Share Option Scheme

Our Company has conditionally adopted a Share Option Scheme pursuant to which selected participants may be granted options to subscribe for Shares as incentives or rewards for their service rendered to our Group and any entity in which any member of our Group holds any equity interest. Our Directors believe that the implementation of the Share Option Scheme enables our Group to recruit and retain high caliber executives and employees. Further information on the Share Option Scheme is set forth in the paragraphs under “E. Share Option Scheme” in Appendix V to this prospectus.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

COMPLIANCE ADVISER

We intend to appoint the Sole Sponsor as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us in the following circumstances:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction, which might be notifiable or connected transaction under the Listing Rules, is contemplated including share issue and share repurchases;
- (c) where we propose to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where our Group's business activities, developments or results of operations deviate from any forecast, estimate or other information in this prospectus; and
- (d) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares.

The term of the appointment will commence on the Listing Date and end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after Listing.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, each of the following persons will, immediately after completion of the Distribution and the Share Offer (assuming that all CC Land Qualifying Shareholders take up their respective Assured Entitlement under the Preferential Offer in full, and taking no accounts of any Public Offer Shares which may be taken up by our Controlling Shareholders under the Public Offer and any Shares which may be allotted and issued pursuant to the exercise of options that may be granted under the Share Option Scheme), have an interest or short position in our Shares or underlying Shares which would be required 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, are directly or indirectly, be 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 our Company or any of our Company's subsidiaries:

(a) Interest in our Company

Name of shareholder	Capacity/ Nature of interest	Number of Shares	Approximate percentage of shareholding in our Company immediately after completion of the Distribution and the Share Offer
Mr. Cheung	Interest in controlled corporation	70,997,638 <i>(Notes 1 and 2)</i>	49.38%
Thrivetrade	Beneficial owner	57,109,876 <i>(Note 1)</i>	39.72%
Chongqing Industrial Limited	Interest in controlled corporation	13,887,762 <i>(Note 2)</i>	9.66%
Palin Holdings Limited	Interest in controlled corporation	13,887,762 <i>(Note 2)</i>	9.66%
Yugang	Interest in controlled corporation	13,887,762 <i>(Note 2)</i>	9.66%

SUBSTANTIAL SHAREHOLDERS

Notes:

- (1) 57,109,876 Shares are expected to be held by Thrivetrade, a company wholly-owned by Mr. Cheung. Accordingly, Mr. Cheung is deemed to be interested in the same number of Shares held through Thrivetrade.
- (2) 13,887,762 Shares are expected to be held by Regulator Holdings, a direct wholly-owned subsidiary of Yugang International (B.V.I.) Limited, which is in turn a direct wholly-owned subsidiary of Yugang.

Yugang was owned by Chongqing Industrial Limited (“Chongqing”), Timmex Investment Limited (“Timmex”) and Mr. Cheung as to approximately 34.33%, 9.16% and 0.57% respectively. Chongqing was owned as to 35%, 30%, 5% and 30% by Mr. Cheung, Peking Palace Limited (“Peking Palace”), Miraculous Services Limited (“Miraculous Services”) and Prize Winner Limited (“Prize Winner”) respectively. Mr. Cheung had 100% beneficial interest in Timmex. Prize Winner was beneficially owned by Mr. Cheung and his associates. Peking Palace and Miraculous Services were held by Palin Holdings Limited (“Palin Holdings”) as the trustee for Palin Discretionary Trust, a family discretionary trust, the objects of which included Mr. Cheung and his family.

Each of Mr. Cheung, Palin Holdings, Chongqing and Yugang is therefore deemed to be interested in the same number of Shares to be held through Regulator Holdings.

(b) Interest in other members of our Group

Name of shareholder(s)	Name of subsidiary of our Company	Number of shares held	Approximate percentage of shareholding in such subsidiary immediately after completion of the Distribution and the Share Offer
Mr. Yee Chan Chian	Theme Production	240,000	24%
Ms. Chow Hoi Yin Riter	Theme Production	250,000	25%

Save as disclosed herein, our Directors are not aware of any person who will, immediately after completion of the Distribution and the Share Offer, have an interest or short position in our Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who will be directly or indirectly, be 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 our Company or any of our Company’s subsidiaries, we are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

SHARE CAPITAL

Without taking into account any Shares to be issued upon the exercise of any options which may be granted under the Share Option Scheme, the authorised and issued share capital of our Company immediately after completion of the Capitalisation Issue, the Distribution and the Share Offer will be as follows:

Authorised share capital:	<i>HK\$</i>
1,000,000,000 Shares	100,000,000

Issued share capital:

Shares issued and to be issued, fully paid or credited as fully paid upon completion of the Capitalisation Issue, the Distribution and the Share Offer:

(Shares)		HK\$	Approximate percentage of the enlarged issued share capital (%)
127,196,162	Shares in issue as at the date of this prospectus	12,719,616.20	88.5
2,193,832	Shares to be issued under the Capitalisation Issue	219,383.20	1.5
<u>14,375,999</u>	Shares to be issued under the Share Offer	<u>1,437,599.90</u>	<u>10.0</u>
<u><u>143,765,993</u></u>	Total	<u><u>14,376,599.30</u></u>	<u><u>100.0</u></u>

The above table also does not take into account (i) any Shares issued upon exercise of options which may be granted under the Share Option Scheme, or (ii) any Shares which may be allotted and issued or repurchased by our Company under the general mandates given to our Directors to allot and issue or repurchase Shares.

RANKING

The Offer Shares are ordinary shares in the share capital of our Company and will rank equally in all respects with all Shares in issue or to be issued as set out in the above table, and will qualify and rank equally for all dividends or other distributions declared, made or paid after the date of this prospectus.

SHARE OPTION SCHEME

We conditionally adopted the Share Option Scheme on 18 May 2012. The principal terms of the Share Option Scheme are summarised in the paragraphs headed “E. Share Option Scheme” in Appendix V to this prospectus.

SHARE CAPITAL

GENERAL MANDATE TO ISSUE SHARES

Conditional on the Share Offer becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements in accordance with the Bye-laws, or pursuant to the exercise of any options which have been granted under the Share Option Scheme or any other option scheme or similar arrangement for the time being adopted, Shares with an aggregate nominal amount not exceeding 20% of the aggregate nominal value of the issued share capital of our Company immediately following completion of the Spin-off and the Share Offer (excluding Shares which may be issued pursuant to any options may be granted under the Share Option Scheme).

This general mandate to issue Shares will remain in effect until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next general meeting of our Company is required by the Bye-laws or any applicable law of Bermuda to be held, or the passing of an ordinary resolution of the Shareholders in a general meeting revoking, varying or renewing such mandate, whichever is the earliest.

For further details of this general mandate, see the paragraph headed “3. Written resolutions of our sole Shareholder of our Company” in Appendix V to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Conditional on the Share Offer becoming unconditional, our Directors have been granted a general unconditional mandate to repurchase Shares 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, with a total nominal value of not more than 10% of the aggregate nominal value of our Company’s share capital in issue immediately following completion of the Spin-off and the Share Offer (excluding Shares which may be issued pursuant to any options may be granted under the Share Option Scheme) until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by the Bye-laws or any applicable law of Bermuda to be held, or the passing of an ordinary resolution of the Shareholders in a general meeting revoking, varying or renewing such mandate which is the earliest.

For further details of this repurchase mandate, see the paragraph headed “3. Written resolutions of the sole Shareholder of our Company” in Appendix V to this prospectus.

FINANCIAL INFORMATION

OVERVIEW

We are principally engaged in the OEM manufacturing and sourcing of packaging products. Our principal products include watch boxes, jewellery boxes, eyewear cases, bags and pouches and display units. Our customers include carriers or owners of internationally renowned brands of watches, jewellery and eyewear products and other customers such as traders of packaging and display products. Our core management team includes members with over 20 years of experience in the manufacturing business. With our portfolio of existing designs and samples of packaging products, we are capable to offer product development and manufacturing solution to our customers by developing and producing the final products for eventual mass production scale based on our customers' specifications and/or variations to the standard models in our products portfolio.

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

Our results of operations and our financial condition have been, and we believe will continue to be, affected by a number of factors including those set out as follow:

Global economic conditions

The business of our Group greatly depends on the performance of our end customers, which include internationally renowned brands of watches, jewellery and eyewear products. The demand for the products of our end customers is largely related to the global economic situation, which affects the spending power of individuals on consumer goods and market conditions of the consumer markets for our products. Any fluctuation in the global economy, in particular the economy of mature markets such as Europe and North and South America and emerging markets such as China with strong demand for luxury consumer products such as watches, jewellery and eyewear products, may affect our revenue and hence the profit of our Group. Our Group's results subsequent to 2011 were affected by, amongst others, the debt crisis of Europe. For more information please refer to the paragraph headed "Recent business development" of this section.

Product pricing

We adopt a cost-plus model to develop our quotations for our customers. Our calculation of the estimated cost used in developing our quotations is based on the bills of materials of our products which have taken into account the costs of production materials used, processing fees paid to the PRC Processing Factories pursuant to the PRC Processing Agreements and other factory overheads incurred and, in respect of display units to be sourced by us from third party suppliers, our procurement costs for these display units.

Production capacity

Our product capacity affects our revenue, in particular our revenue growth in the near future. During the Track Record Period and up to the Latest Practicable Date, we relied on Zhongshan Processing Factory and Guanlan Processing Factory for production of our products. If any of the production facilities of the PRC Processing Factories experience significant down time, whether caused by power shortage, labour strikes, riots, fire or any other disastrous events that are beyond our control, we may not be able to produce and deliver sufficient products to meet the orders of our customers, and resulting in a negative impact on our revenue.

FINANCIAL INFORMATION

Production materials and finished goods procured

Cost of production materials and procurement represents the largest component of our cost of sales. The production materials used by us include paper, metal, resin (plastic), fabric and other materials such as imitation leather, acrylic and various types of exterior materials. The price of some types of production materials used by our Group, such as resin (plastic), had been, in general, on an increasing trend during the Track Record Period. Further, the increase in the average unit purchase prices of the finished goods, that is, the display units, charged by the third party suppliers would also lead to the increase of the cost of procurement of finished goods. As we have not entered into any long term supply agreement with our major suppliers for production materials and display units, any material fluctuation of the price of production materials and average unit purchase prices of display units may materially affect our results.

Processing fees

Processing fees represent another major component of our cost of sales. The processing fees mainly include direct labour costs, sub-contracting fees, utilities cost and the overheads incurred by the PRC Processing Factories.

The manufacturing operation of the PRC Processing Factories is labour intensive and relies on a stable and cheap labour supply in the PRC. However, the minimum wage level imposed by the Labour Contract Law of the PRC had put a significant pressure on labour cost of the PRC Processing Factories, and therefore on our processing fees being charged and our cost of sales.

In addition, the rapidly growing economy in the PRC has increased the career choices of the general public in the PRC, making it more difficult for the PRC Processing Factories to retain and recruit suitably qualified workers. To retain and recruit suitably qualified workers, the PRC Processing Factories may need to increase its staff benefits provided from time to time, which may indirectly affect our processing fee expenses.

Market competitions

We face keen competition in our business of providing OEM solutions to our customers and sourcing display units for our customers based on their design and specifications. We have made investment in production equipment and the developed skills in ensuring and improving the product quality and on-time delivery to maintain our competitiveness in the industry. Our results of operations could be affected depending on our ability to maintain our competitiveness.

CRITICAL ACCOUNTING POLICIES

Our Group's financial information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The preparation of our Group's financial information in conformity with HKFRSs requires our Group's management to adopt accounting policies and make estimates and assumptions that affect amounts reported in our Group's financial information. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

FINANCIAL INFORMATION

The following paragraphs discuss the critical accounting policies applied in preparing our Group's financial information:

Basis of presentation

Pursuant to the Reorganisation, our Company became the holding company of the companies now comprising our Group on 15 May 2012. The companies now comprising our Group were under the common control of the controlling shareholders before and after the Reorganisation.

The combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows of our Group for the Track Record Period include the results and cash flows of all companies now comprising our Group have been prepared on a combined basis by applying the principles of merger accounting in accordance with the Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA, from the earliest date presented or since the date when the subsidiaries and/or businesses first came under the common control of the controlling shareholders, where this is a shorter period. The combined statements of financial position of our Group as at 31 December 2009, 2010 and 2011 have been prepared to present the assets and liabilities of the subsidiaries and/or businesses using the existing book values from the controlling shareholders' perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

Basis of combination

This financial information of our Group includes the financial statements of our Company and its subsidiaries for the Track Record Period. As explained in the paragraph headed "Basis of presentation" above, the acquisition of subsidiaries and business under common control has been accounted for using merger accounting.

The merger accounting involves incorporating the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party. No amount is recognised in respect of goodwill or the excess of the acquirers' interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over the cost of investment at the time of common control combination.

The acquisition of subsidiaries other than those under common control has been accounted for using the purchase method of accounting.

The financial statements of the subsidiaries are prepared for the same reporting period as our Company, using consistent accounting policies. The results of subsidiaries are combined from the date of acquisition, being the date on which our Group obtains control, and continue to be combined until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on combination in full.

FINANCIAL INFORMATION

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Non-controlling interests represent the equity interests in a subsidiary held by parties other than the controlling shareholder. Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If our Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. Our Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to our Group and when the revenue can be measured reliably.

Sales of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer, provided that our Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

Interest income from a financial asset is accrued using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Rental income under operating leases is recognised on a time proportion basis over the lease terms.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, our Group recognises such parts as individual assets with specific useful lives and depreciate them accordingly.

FINANCIAL INFORMATION

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life.

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which our Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

FINANCIAL INFORMATION

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Investments and other financial assets

Initial recognition and measurement

Our Group's financial assets include cash and cash equivalents, trade and bills receivables and deposits and other receivables, which are recognised initially at fair value, plus directly attributable transaction costs.

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. Our Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that our Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

FINANCIAL INFORMATION

Subsequent measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in interest income in the statements of comprehensive income. The loss arising from impairment is recognised in the statements of comprehensive income in finance costs for loans and in other expenses for receivables.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- our Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) our Group has transferred substantially all the risks and rewards of the asset, or (b) our Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When our Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, we evaluate if and to what extent it has retained the risks and rewards of the ownership of the assets. When our Group has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of our Group’s continuing involvement in the asset. In that case, our Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that our Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that our Group could be required to repay.

Impairment of financial assets

Our Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred “loss event”) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

FINANCIAL INFORMATION

For financial assets carried at amortised cost, our Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If our Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to our Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to other expenses in the combined statements of comprehensive income.

Financial liabilities

Initial recognition and measurement

Our Group's financial liabilities include trade and bills payables, other payables and accruals, and an amount due to the immediate holding company which are recognised initially at fair value.

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. Our Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expired.

FINANCIAL INFORMATION

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Derivative financial instrument

Our Group uses a derivative financial instrument, being forward currency contracts, to manage its foreign currency risk. Such derivative financial instrument is initially recognised at fair value on the date on which a derivative contract is entered into and is subsequently remeasured at fair value. The derivative financial instrument is carried as an asset when the fair value is positive and as a liability when the fair value is negative.

Any gains or losses arising from changes in fair value of the derivative financial instrument are taken directly to profit or loss.

MANAGEMENT DISCUSSION AND ANALYSIS

The following discussion and analysis should be read in conjunction with the combined financial information of our Group included in the Accountants' Report set out in Appendix I to this prospectus. The combined financial information had been prepared in accordance with HKFRSs.

Set out below is the summary of the key financial ratios of our Group during the Track Record Period:

	For year ended 31 December		
	2009	2010	2011
Gross profit margin	19.3%	19.3%	20.5%
Net profit margin	6.5%	8.0%	9.9%
Return on equity (<i>Note a</i>)	16.7%	21.8%	23.1%
Return on total assets (<i>Note b</i>)	5.8%	8.8%	13.1%
Average inventories turnover days (<i>Note c</i>)	62.3	45.1	45.0
Average debtors' turnover days (<i>Note d</i>)	56.4	42.5	43.0
Average creditors' turnover days (<i>Note e</i>)	51.9	46.3	46.4
	As at 31 December		
	2009	2010	2011
Current ratio (<i>Note f</i>)	72.6%	90.5%	123.3%
Gearing ratio (<i>Note g</i>)	0%	0%	0%
Quick ratio (<i>Note h</i>)	53.4%	66.9%	91.2%

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Notes:

- a. Return on equity for each of the years ended 31 December 2009, 2010 and 2011 were calculated based on the profit attributable to the shareholders of our Company of the respective years divided by the equity attributable to the shareholders of our Company of the respective years and multiplied by 100%.
- b. Return on total assets for each of the years ended 31 December 2009, 2010 and 2011 were calculated based on the profit attributable to the shareholders of our Company divided by the total assets of our Group of the respective years and multiplied by 100%.
- c. Average inventories turnover days for each of the years ended 31 December 2009, 2010 and 2011 were calculated based on the average of the inventories balance (net of specific provision of inventories) as at the beginning and ending dates of the year divided by the cost of sales of the respective years and multiplied by 365 days.
- d. Average debtors' turnover days for each of the years ended 31 December 2009, 2010 and 2011 were calculated based on the average of the trade and bills receivables balance (net of the provision for impairment) as at the beginning and ending dates of the respective years divided by the revenue of the respective years and multiplied by 365 days.
- e. Average creditors' turnover days for each of the years ended 31 December 2009, 2010 and 2011 were calculated based on the average of the trade and bills payables balance as at the beginning and ending dates of the respective years divided by the cost of sales of the respective years and multiplied by 365 days.
- f. Current ratios as at 31 December 2009, 2010 and 2011 were calculated based on the total current assets of our Group as at the respective dates divided by total current liabilities of our Group as at the respective dates and multiplied by 100%.
- g. Gearing ratios as at 31 December 2009, 2010 and 2011 were calculated based on the total interest-bearing bank loans of our Group as at the respective dates divided by total assets of our Group as at the respective dates and multiplied by 100%.
- h. Quick ratios as at 31 December 2009, 2010 and 2011 were calculated based on the current assets minus inventories (net of specific provision of inventories) of our Group as at the respective dates and multiplied by 100% divided by total current liabilities of our Group as at the respective dates and multiplied by 100%.

Our gross profit margin and net profit margin had been on a stable but increasing trend during the Track Record Period. Such increase in profit margins was mainly attributable to our cost plus pricing policy and the passing of increase in costs to our customers. Further details of which are set out in the paragraphs headed "Gross profit" and "Net profit" below.

Consistent with the continuous growth in our gross profit and net profit margins, our return on equity and return on total assets during the Track Record Period had shown an increasing trend.

The decrease in average inventories turnover days from about 62.3 days in 2009 to about 45.1 days in 2010 was primarily due to booming market demand of our products resulted in faster turnover of inventories. Further, the drop of inventories turnover days was resulted from the effective cost control and cash flow management of our Group. The average inventories turnover days remained stable at about 45.0 days in 2011. Further details of which are set out in the paragraph headed "Inventories" below.

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The decrease in average debtors' turnover days from about 56.4 days in 2009 to about 42.5 days in 2010 was primarily due to expedited repayment by our customers as a result of the recovery of the global economy and the effective credit control and payment collection by the management. The average debtors' turnover days remained stable at about 43.0 days in 2011. Further details of which are set out in the paragraph headed "Trade and bills receivables" below.

The decrease in average creditors' turnover days from about 51.9 days in 2009 to about 46.3 days in 2010 was primarily due to our acceleration in settling our trade payables balance with our suppliers during 2010. The average creditors' turnover days remained stable at about 46.4 days in 2011. Further details of which are set out in the paragraph headed "Trade and bills payables" below.

Both current ratio and quick ratio showed an increasing trend from 2009 to 2011, which was primarily due to settlement of the amounts due to CC Land during the three years ended 31 December 2011.

The gearing ratio was zero for each of year end date of 31 December 2009, 2010 and 2011 since our Group did not have any interest-bearing loan as at each of the corresponding year end dates.

Combined statements of comprehensive income

The following table presents a summary of the audited combined results of our Group during the Track Record Period as extracted from the Accountants' Report set out in Appendix I of this prospectus:

	For year ended 31 December		
	2009	2010	2011
	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Revenue	294,671	391,052	418,660
Cost of sales	<u>(237,883)</u>	<u>(315,720)</u>	<u>(332,735)</u>
Gross profit	56,788	75,332	85,925
Other income and gains	2,309	1,408	3,564
Selling and distribution costs	(12,612)	(14,668)	(14,969)
Administrative expenses	(24,113)	(24,976)	(27,913)
Other expenses	481	(939)	294
Share of profits and losses of associates	<u>(1,004)</u>	<u>(638)</u>	<u>(480)</u>
Profit before tax	21,849	35,519	46,421
Income tax expense	<u>(2,724)</u>	<u>(4,091)</u>	<u>(4,931)</u>
Profit and total comprehensive income for the year	<u><u>19,125</u></u>	<u><u>31,428</u></u>	<u><u>41,490</u></u>
Attributable to:			
Owners of the Company	16,442	27,378	37,828
Non-controlling interests	<u>2,683</u>	<u>4,050</u>	<u>3,662</u>
	<u><u>19,125</u></u>	<u><u>31,428</u></u>	<u><u>41,490</u></u>

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Revenue

We primarily derive revenue from sales of products to customers which include internationally renowned brands of watches, jewellery and eyewear products and other customers such as traders of packaging and display products. Our revenue also included revenue generated from products/accessories, such as cushion, booklets, cards, plastic tags and presentation materials, and other income such as artwork charges, mould charges and extra delivery charges.

The following table sets forth the breakdown of our revenue by product categories and the respective number of quantities sold for the years indicated:

	For year ended 31 December					
	2009		2010		2011	
	Revenue	Percentage of	Revenue	Percentage of	Revenue	Percentage of
	<i>HK\$'000</i>	total revenue	<i>HK\$'000</i>	total revenue	<i>HK\$'000</i>	total revenue
		%		%		%
Sales of						
— Packaging cases	189,963	64.5%	242,576	62.0%	281,692	67.3%
— Bags and pouches	13,287	4.5%	23,728	6.1%	17,127	4.1%
— Display units	76,938	26.1%	105,007	26.9%	103,580	24.7%
Others (<i>note</i>)	14,483	4.9%	19,741	5.0%	16,261	3.9%
	<u>294,671</u>	<u>100.0%</u>	<u>391,052</u>	<u>100.0%</u>	<u>418,660</u>	<u>100.0%</u>
	Quantities	Percentage	Quantities	Percentage	Quantities	Percentage
	sold	of total	sold	of total	sold	of total
	<i>'000 pcs</i>	quantities sold	<i>'000 pcs</i>	quantities sold	<i>'000 pcs</i>	quantities sold
		%		%		%
Quantity sold as						
— Packaging cases	14,912	73.9%	20,800	70.4%	21,941	79.1%
— Bags and pouches	3,964	19.6%	7,028	23.8%	4,295	15.5%
— Display units	1,317	6.5%	1,719	5.8%	1,513	5.4%
	<u>20,193</u>	<u>100.0%</u>	<u>29,547</u>	<u>100.0%</u>	<u>27,749</u>	<u>100.0%</u>

Note: "Others" include revenue generated from products/accessories such as cushions, booklets, cards, plastic tags and presentation materials, and other income such as artwork charges, mould charges and extra delivery charges. No quantity analysis is available.

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The following table set forth the breakdown of our revenue by geographical location of our customers and the respective number of quantities sold for the years indicated:

	For year ended 31 December					
	2009		2010		2011	
	Revenue <i>HK\$'000</i>	Percentage of total revenue %	Revenue <i>HK\$'000</i>	Percentage of total revenue %	Revenue <i>HK\$'000</i>	Percentage of total revenue %
Sales to customers in						
— Europe	145,710	49.4%	172,690	44.2%	154,850	37.0%
— Hong Kong	89,354	30.3%	131,330	33.6%	145,461	34.7%
— North and South America	41,709	14.2%	64,272	16.4%	83,539	20.0%
— Others	17,898	6.1%	22,760	5.8%	34,810	8.3%
	<u>294,671</u>	<u>100.0%</u>	<u>391,052</u>	<u>100.0%</u>	<u>418,660</u>	<u>100.0%</u>
	Quantities sold <i>'000 pcs</i>	Percentage of total quantities sold %	Quantities sold <i>'000 pcs</i>	Percentage of total quantities sold %	Quantities sold <i>'000 pcs</i>	Percentage of total quantities sold %
Quantity sold to customers in						
— Europe	10,614	52.6%	14,462	48.9%	8,440	30.4%
— Hong Kong	5,586	27.7%	7,915	26.8%	8,413	30.3%
— North and South America	3,054	15.1%	5,336	18.1%	6,655	24.0%
— Others	939	4.6%	1,834	6.2%	4,241	15.3%
	<u>20,193</u>	<u>100.0%</u>	<u>29,547</u>	<u>100.0%</u>	<u>27,749</u>	<u>100.0%</u>

During the Track Record Period, the sales of packaging cases remained our key product line and contributed about 64.5%, 62.0% and 67.3% of our total revenue and about 73.9%, 70.4% and 79.1% of our total quantity sold during each of the three years ended 31 December 2011, respectively. The packaging cases are mainly made of metal, plastic, paper and different kinds of exterior materials, which are for designer label items and luxury consumer goods such as watches, jewellery and eyewear products. Another product line, display units, which included those manufactured by us through the PRC Processing Factories and those sourced by us from third party suppliers, accounted for about 26.1%, 26.9% and 24.7% of our total revenue and about 6.5%, 5.8% and 5.4% of our total quantity sold during each of the three years ended 31 December 2011, respectively. The display units are used for display and presentation for retail sales, such as watches, jewellery, eyewear and other products. Our Directors believe that the demand for those kinds of luxury consumer products and, in turn, the related packaging products were more sensitive to the prolonged effect of global economic downturn in 2009, which resulted in a decline in revenue contributed by packaging products, including packaging cases and bags and pouches, and display units during the year ended 31 December 2009. The revenue contributed by packaging products had recovered in the year ended 31 December 2010, as disclosed in the section headed “Industry overview” in this prospectus, a strong rebound in consumer confidence for consumer products was observed along with the economic recovery in 2010. In fact, mature markets of the US and Europe saw a new growth phase for local consumption of consumer products. Our Group’s revenue increased by about 7.1% in 2011 which was less than the percentage increase of about 32.7% in 2010 due to, amongst others, the debt crisis in Europe in late 2011.

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A similar trend was observed in our quantities sold of different principal product categories during the Track Record Period. During the global economic recovery in 2010, the quantities sold of packaging cases and display units had shown an increase of about 39.5% and 30.5% comparing to the relevant figures in 2009, respectively.

During the year ended 31 December 2011, the quantities sold of packaging cases had demonstrated an increase of about 5.5% which was consistent with the increase trend of sales amount of packaging cases. In 2011, our Group has shifted to put the focus on relatively higher priced display units. In this connection, it resulted in the insignificant drop of revenue of display units of 1.4% as comparing to the corresponding drop of sales quantities of 12.0%.

Europe, Hong Kong and North and South America are the major markets of our products. Europe continues to be the largest market, which accounted for about 49.4%, 44.2% and 37.0% of our revenue for each of the three years ended 31 December 2011, respectively. As mentioned above, in view of debt crisis experienced by the European countries in late 2011, our Group redeployed its geographical strategy by relatively increasing the significance of other markets, such as Hong Kong, North and South America, through the following business strategies: (i) focusing on the development of new business opportunities with customers who are owners or carriers of internationally renowned brands; (ii) enhancing communication with our Hong Kong and overseas customers to establish stronger relationship with these customers; and (iii) participation in local and overseas fairs and exhibitions to solicit new customers to broaden our customer base, showcase our new designs, access market information and trend of product development in these markets.

Due to a strong rebound in consumer confidence for consumer products along with the global economy recovery in 2010, the demand for our products had also recovered together with our sales to our customers in the aforementioned major markets in 2010, represented by an increase of sales to our customers in those major markets of about 33.1% and amounting to about HK\$91.5 million, from about HK\$276.8 million in 2009 to about HK\$368.3 million. For the year ended 31 December 2010, our sales has experienced significant growth in majority of our product lines and to our customers in all geographical segments with total revenue increased by about 32.7% to about HK\$391.1 million in 2010. Our Group's revenue increased by about 7.1% in 2011 which was less than the percentage increase in revenue in 2010 due to, amongst others, the debt crisis in Europe in late 2011. During the Track Record Period and up to the Latest Practicable Date, there has been no change in pricing policy, cancellation of customer order or customer default in any material respects.

Our Directors take the view that the debt crisis in Europe continued to impact the demand for watches and consumer confidence in Europe, which in turn, amongst others, levied pressure on our Group's results subsequent to 2011. For details of the impact, please refer to the paragraph headed "Recent business development" of this section.

During the Track Record Period, our revenue generated from the sales of display units sourced by our Group from third party suppliers has about one-fifth of the total revenue for each of the years ended 31 December 2009, 2010 and 2011.

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Fluctuation of the average unit selling prices of our products

The following table shows the average unit selling price and the fluctuation of the average unit selling price of the three principal categories of our products during the Track Record Period:

	For year ended 31 December		
	2009	2010	2011
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Average unit selling price of			
— Packaging cases	12.7	11.7	12.8
— Bags and pouches	3.4	3.4	4.0
— Display units	58.4	61.1	68.5
		Percentage increase/(decrease)	
		2010	2011
— Packaging cases		(7.9)%	9.4%
— Bags and pouches		—	17.6%
— Display units		4.6%	12.1%

The fluctuation in average unit selling price of our products is mainly related to the market demand of our products and the components of the products with different kinds of exterior materials. The market demand of our products is dependent on the market demand for the end products of the respective brand owners, which, in turn, is affected by (amongst others) the global economic environment, or the economic environment of the region which the respective brand owners are targeting at. Even under the prolonged effect of the global financial crisis, we had managed to maintain our product pricing strategy of adopting a cost-plus basis with a margin comparable to that of periods before the global financial crisis. During the Track Record Period, overall speaking, the Directors believe that the fluctuations in the average unit selling price of our products were mainly resulted from change of the product mix of our products with different kinds of exterior materials.

During the Track Record Period, the average unit selling price of our packaging cases for the three years ended 31 December 2011 were about HK\$12.7, HK\$11.7 and HK\$12.8 per piece, respectively. The decrease in average unit selling price in 2010 was due to, amongst others, the tendency of more customers selecting environmental-friendly packaging materials such as paper or fabric instead of plastic, for their products whereas the costs of paper and fabric were lower than plastic. The average unit selling price in 2011 increased to about HK\$12.8 by about 9.4% due to, amongst others, the increase of margin charged by our Group on the products.

The average unit selling price of our display units for the three years ended 31 December 2011 were about HK\$58.4, HK\$61.1 and HK\$68.5 per piece, respectively. The average unit selling price of our display units was observed with an increase of about 4.6% in 2010 and about 12.1% in 2011. As the market recovered from the financial crisis in 2009 and early 2010, global demand for middle to high-end watches, jewellery and eyewear products and so as the display units for them increased, together with the increasing customers' satisfaction on our product quality, we had received orders for relatively high priced display units from our customers and hence driving the average unit selling price of our display units up in 2010 and 2011.

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Cost of sales

Our cost of sales primarily consists of the cost of production materials and procurement, processing fees incurred for the operation of the PRC Processing Factories and other factory overheads. Cost of production materials and procurement consists of cost of resin, paper, metal, imitation leather, fabric and other exterior materials and cost of purchase of finished goods from third party suppliers. Most of the materials supplied have been historically, and will be in the future, subject to price fluctuation. During the Track Record Period, the price of our major production materials, such as resin and metal, have been rising, which has increased our operating costs. The increase in the average unit purchase prices of display units charged by third party suppliers levied an increase pressure on the cost of procurement and therefore our operating costs.

As mentioned in the section headed “Business” in this prospectus, our Group has entered into two processing agreements for the operations of Zhongshan Processing Factory and Guanlan Processing Factory respectively and our Group incurred an aggregate processing fees of about HK\$68.2 million, HK\$93.0 million and HK\$96.1 million, respectively for each of the three years ended 31 December 2011.

Processing fees mainly included labour costs, sub-contracting fees, utilities costs and other overheads incurred by Zhongshan Processing Factory and Guanlan Processing Factory. The processing fees increased from about HK\$68.2 million for the year ended 31 December 2009 to about HK\$93.0 million and about HK\$96.1 million for the same period in 2010 and 2011, respectively. Since the operations of the PRC Processing Factories are carried on in the PRC, such increase of the processing fees was attributable to, amongst others, the increase in direct labour costs resulting from the rising wages of factory workers in the PRC in general. The Directors consider that the fluctuation of the processing fees as shown above during the Track Record Period was generally in line with the fluctuation of the revenue, it was evidenced by the maintenance of relatively stable gross profit ratios during the Track Record Period with analysis mentioned below.

Other factory overheads primarily consist of the expenses incurred by our Group for the operation of the PRC Processing Factories, such as auxiliary tools and consumables, packing expenses, staff cost in relation to the personnel employed by our Group to oversee the operation of the PRC Processing Factories, and depreciation and amortisation expenses. Our operating profit will be affected by (amongst others) the price volatility of the production materials, procurement cost, processing fees and spending on other factory overheads.

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

	2009		For year ended 31 December 2010		2011	
	Cost of sales <i>HK\$'000</i>	Percentage of total cost of sales %	Cost of sales <i>HK\$'000</i>	Percentage of total cost of sales %	Cost of sales <i>HK\$'000</i>	Percentage of total cost of sales %
Cost of production materials and procurement	142,212	59.8%	190,051	60.2%	207,119	62.2%
Processing fees	68,198	28.7%	93,046	29.5%	96,076	28.9%
Other factory overheads	27,473	11.5%	32,623	10.3%	29,540	8.9%
	<u>237,883</u>	<u>100.0%</u>	<u>315,720</u>	<u>100.0%</u>	<u>332,735</u>	<u>100.0%</u>

For each of the three years ended 31 December 2011, our Group's cost of sales was about HK\$237.9 million, HK\$315.7 million and HK\$332.7 million, respectively. Our cost of sales fluctuated primarily as a result of the change in sales and production volume during the Track Record Period. Cost of production materials and procurement, and processing fees constituted the two major components of cost of sales and in aggregate they accounted for about 88.5%, 89.7% and 91.1% of the cost of sales for the three years ended 31 December 2011, respectively. The proportion of cost of production materials and procurement, and processing fees incurred for processing factories in our costs of sales remained relatively stable during the Track Record Period.

During the Track Record Period, costs of production materials and procurement had increased from about HK\$142.2 million for the year ended 31 December 2009, or about 59.8% of the cost of sales of 2009, to about HK\$190.1 million for the year ended 31 December 2010, or about 60.2% of the cost of sales of 2010, and further increased to about HK\$207.1 million for the year ended 31 December 2011, or about 62.2% of the cost of sales of 2011, primarily as a result of the increase in purchase price of production materials and procurement by a relatively higher percentage as compared to other components of the cost of sales during the Track Record Period.

Fluctuation of the average purchase prices of our production materials

Costs of production materials and procurement represented the largest component of our cost of sales, which accounted for about 59.8%, 60.2% and 62.2% of our costs of sales for each of the three years ended 31 December 2011, respectively. The following table shows the average unit purchase price per unit and the fluctuations of the average unit purchase prices of our major production materials used in our production, during the Track Record Period:

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	For year ended 31 December		
	2009	2010	2011
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Average unit purchase price of			
— Fabric (yard)	11.6	10.4	10.2
— Imitation leather (yard)	14.3	14.8	16.2
— Metal (kg)	12.7	15.8	18.2
— Paper (sheet)	2.4	2.6	2.7
— Resin (pound)	3.7	4.8	5.4
		Percentage increase/(decrease)	
		2010	2011
— Fabric (yard)		(10.3)%	(1.9)%
— Imitation leather (yard)		3.5%	9.5%
— Metal (kg)		24.4%	15.2%
— Paper (sheet)		8.3%	3.8%
— Resin (pound)		29.7%	12.5%

Despite a relatively slight fluctuation in average purchase prices of imitation leather and paper were observed during the year 2010, the average purchase price of other major production materials (resin and metal), were increased by about 29.7% and 24.4%, respectively during the year 2010. Such increments were mainly attributable to soaring rise of oil price and metal price in 2010. The increase of average purchase prices of resin and metal were steered down in 2011 which increased by about 12.5% and 15.2%, respectively. Even though the percentage increase of the average purchase prices of the major production materials (except for imitation leather and fabric) reduced in 2011, since the other components of cost of sales were relatively stable as compared in 2010, it resulted in an increase of costs of production materials and procurement as a percentage of our cost of sales in 2011 as compared to that of 2010. The average purchase price of fabric dropped by about 10.3% and 1.9% for the year ended 31 December 2010 as compared to 2009 and for the year ended 31 December 2011 as compared to 2010, respectively. The drop was mainly attributable to the application of alternative fabric materials of comparable quality at lower cost.

The following tables set out our Group's purchase amount by major production materials for the years indicated:

	For year ended 31 December					
	2009		2010		2011	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Types of major production materials:						
— Fabric	12,638	15.4%	21,543	16.8%	18,863	13.2%
— Imitation leather	7,566	9.2%	9,832	7.7%	10,759	7.5%
— Metal	3,320	4.1%	5,931	4.6%	10,276	7.2%
— Paper	17,506	21.4%	30,971	24.2%	35,255	24.7%
— Resin	7,051	8.6%	13,841	10.8%	27,669	19.4%
— Others (<i>note</i>)	33,766	41.3%	46,060	35.9%	40,077	28.0%
	<u>81,847</u>	<u>100.0%</u>	<u>128,178</u>	<u>100.0%</u>	<u>142,899</u>	<u>100.0%</u>

Note: Others includes purchase of (i) accessories such as booklets, sponge, polyfoam, tags, label and zippers, and (ii) consumables such as glue, cutter and sticky tape.

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During the Track Record Period, overall speaking, the Directors believe that the fluctuation of the purchase amount of any particular material was mainly resulted from change of the material consumption mix for the production of finished goods with different kinds of exterior materials.

Fluctuation of the processing fee expenses

Processing fees primarily consist of (i) labour costs of the workers employed by the PRC Processing Factories; (ii) sub-contracting fees incurred for subcontracting arrangement of the Zhongshan Processing Factories; and (iii) utilities costs. The following table sets out the breakdown of our Group's processing fees for the years indicated:

	For year ended 31 December											
	2009			2010				2011				
	Zhongshan Processing Factory	Guanlan Processing Factory	Total	%	Zhongshan Processing Factory	Guanlan Processing Factory	Total	%	Zhongshan Processing Factory	Guanlan Processing Factory	Total	%
	HK\$'000	HK\$'000	HK\$'000		HK\$'000	HK\$'000	HK\$'000		HK\$'000	HK\$'000	HK\$'000	
Labour costs	36,912	17,362	54,274	79.6%	48,339	23,501	71,840	77.2%	48,788	22,009	70,797	73.7%
Utilities	4,027	1,316	5,343	7.8%	4,969	1,380	6,349	6.8%	5,025	891	5,916	6.2%
Sub-contracting fees	6,958	—	6,958	10.2%	12,660	—	12,660	13.6%	15,878	—	15,878	16.5%
Other overheads	651	972	1,623	2.4%	1,422	775	2,197	2.4%	2,588	897	3,485	3.6%
	<u>48,548</u>	<u>19,650</u>	<u>68,198</u>	<u>100.0%</u>	<u>67,390</u>	<u>25,656</u>	<u>93,046</u>	<u>100.0%</u>	<u>72,279</u>	<u>23,797</u>	<u>96,076</u>	<u>100.0%</u>

The processing fee expenses represented about 28.7%, 29.5% and 28.9% of the our costs of sales for each of the three years ended 31 December 2011, respectively.

The processing fees increased from about HK\$ 68.2 million for the year ended 31 December 2009, by an amount of about HK\$ 24.8 million or about 36.4% to about HK\$ 93.0 million for the year ended 31 December 2010. Its increase was primarily attributable to increase of labour costs of about HK\$17.6 million and sub-contracting fees of about HK\$5.7 million, of which, in turn, were the results of (i) more sales orders placed by our Group's customers due to economic recovery and (ii) general increase of the wages of workers of the PRC Processing Factories. The processing fees increased by about HK\$3.0 million or about 3.3% to about HK\$96.1 million for the year ended 31 December 2011 as compared to the year ended 31 December 2010, whereas the increase momentum was steered down as compared to year ended 31 December 2010 and it was consistent with the trend of revenue which was in turn affected by (amongst others) the Europe's debt crisis in late 2011.

Gross profit

Our gross profit and gross profit margin for each of the three years ended 31 December 2011 was about HK\$56.8 million and 19.3%, HK\$75.3 million and 19.3% and HK\$85.9 million and 20.5%, respectively. Our Directors consider that the improvement of our gross profit along from 2009 to 2011 was mainly due to (i) our management's strategy to focus high priced display units in 2011; (ii) the application of alternative production materials of comparable quality at lower costs; (iii) effective shift of burden of increase of cost of production materials and procurement to the customers by adjusting the selling prices of our products; and (iv) strong recovery in global demand for consumer goods from the global financial tsunami in 2008.

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With the strong recovery in the global demand for consumer goods, the result of our effort in negotiating with our customers to revise the selling prices to cope with the increases in production costs and procurement costs, and the continuing improvement in our production efficiency enabled us to reduce our costs of sales, the gross profit margin moved upwards to about 20.5% during the year ended 31 December 2011.

The following tables set out our Group's gross profit, gross profit margin and the percentage contribution to revenue by major product categories for the years indicated:

	For year ended 31 December								
	2009			2010			2011		
	Gross profit HK\$'000	Gross profit margin	% of revenue contribution	Gross profit HK\$'000	Gross profit margin	% of revenue contribution	Gross profit HK\$'000	Gross profit margin	% of revenue contribution
— Packaging cases	27,290	14.4%	64.5%	34,047	14.0%	62.0%	46,780	16.6%	67.3%
— Bags and pouches	4,968	37.4%	4.5%	10,300	43.4%	6.1%	5,674	33.1%	4.1%
— Display units	21,026	27.3%	26.1%	24,528	23.4%	26.9%	27,225	26.3%	24.7%
— Others (<i>note</i>)			4.9%			5.0%			3.9%
Overall gross profit margin		19.3%			19.3%			20.5%	

Note: "Others" include revenue generated from products/accessories such as cushions, booklets, cards, plastic tags and presentation materials, and also other income such as artwork charges, mould charges and extra delivery charges. No gross profit analysis is available.

The packaging cases are the major product category of our Group which contributed to about 64.5%, 62.0% and 67.3% of our revenue for each of the years ended 31 December 2009, 2010 and 2011, respectively. The gross profit margin of packaging cases remained stable at around 14% for the two years ended 31 December 2010 and then increased to about 16.6% for the year ended 31 December 2011. The increase of gross profit margin in 2011 was the result of, amongst others, the increase of margin charged by our Group on the products in the revision of selling price with the customers. The display units are the second major product category of our Group which contributed to about 26.1%, 26.9% and 24.7% of our revenue for each of the years ended 31 December 2009, 2010 and 2011, respectively. Its gross profit margin decreased from about 27.3% to 23.4% when comparing the year of 2009 to 2010, and it was due to increase of cost of procurement, which, in turn, the Directors believe, was attributable to the increase of cost of major materials of display units, i.e. the plastics. The gross profit margin of display units then increased to 26.3% in 2011, which was as the result of (amongst others) management's strategy to shift to the relatively high priced display units in 2011.

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Selling and distribution costs

Selling and distribution costs primarily consist of (i) staff salaries and allowances of our Group's staff responsible for sales and marketing activities; (ii) freight and distribution expenses; and (iii) licence and declaration fee. The following table sets out the breakdown of our Group's selling and distribution costs for the years indicated:

	2009		For year ended 31 December 2010		2011	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Staff salaries and allowances	4,023	31.9%	4,245	28.9%	4,375	29.2%
Freight and distribution expenses	6,226	49.4%	8,098	55.2%	7,495	50.1%
Licence and declaration fee	1,475	11.7%	1,598	10.9%	1,930	12.9%
Others	888	7.0%	727	5.0%	1,169	7.8%
	<u>12,612</u>	<u>100%</u>	<u>14,668</u>	<u>100%</u>	<u>14,969</u>	<u>100%</u>

Our Group's total selling and distribution costs were about HK\$12.6 million, HK\$14.7 million and HK\$15.0 million for each of the three years ended 31 December 2011, respectively, which accounted for about 4.3%, 3.8% and 3.6% of our Group's revenue.

Administrative expenses

Administrative expenses primarily consist of (i) staff salaries and allowances relating to our Group's management and administrative personnel; (ii) the management fee to CC Land; (iii) depreciation; (iv) travelling and entertainment expenses; and (v) utilities and telephones expenses. The following table sets out the breakdown of our Group's administrative expenses for the years indicated:

	2009		For year ended 31 December 2010		2011	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Auditors' remuneration	407	1.7%	446	1.8%	530	1.9%
Bank charge	576	2.4%	713	2.9%	665	2.4%
Depreciation	1,888	7.8%	1,864	7.4%	1,790	6.4%
Utilities and telephones	695	2.9%	596	2.4%	609	2.2%
Staff salaries and allowances	14,963	62.1%	15,157	60.7%	17,883	64.1%
Travelling and entertainment	634	2.6%	802	3.2%	832	3.0%
Management fee to CC Land	2,328	9.6%	2,328	9.3%	2,412	8.6%
Others	2,622	10.9%	3,070	12.3%	3,192	11.4%
	<u>24,113</u>	<u>100%</u>	<u>24,976</u>	<u>100%</u>	<u>27,913</u>	<u>100%</u>

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Our Group's total administrative expenses amounted to about HK\$24.1 million, HK\$25.0 million and HK\$27.9 million for each of the three years ended 31 December 2011, respectively, which accounted for about 8.2%, 6.4% and 6.7% of our Group's total revenue. The management fee to CC Land during the Track Record Period was mainly for sharing the portion of corporate expenses attributable to our Group, including but not limited to the sharing of the remuneration paid to the directors of CC Land who also oversaw our business during the Track Record Period. Upon the Spin-off and separate Listing of our Company, the arrangement of the management fee between CC Land and our Group will cease.

As a part of cost control measure adopted by our Group, any recruitment of new staff and increment of the staff's salary (staff salaries and allowances representing the major component of selling and distribution costs and administrative expenses) is subject to the prior approval by the Directors.

Income tax expense

Income tax expense represents the tax expense arising from the assessable profit generated by our Group in Hong Kong.

Qualipak Zhongshan, the only Group member which is established in the PRC, has not undertaken any business operation and no enterprise income tax has been paid since its establishment.

The following table sets out the breakdown of our income tax expense and effective tax rates for the years indicated:

	For year ended 31 December		
	2009	2010	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current — Hong Kong			
Charge for the year	2,807	4,111	5,008
Underprovision/(overprovision)			
in prior years	17	(32)	1
Deferred	(100)	12	(78)
	<u>2,724</u>	<u>4,091</u>	<u>4,931</u>
Total tax charge for the year			
	<u>2,724</u>	<u>4,091</u>	<u>4,931</u>
Effective tax rate	12.5%	11.5%	10.6%

The Hong Kong profit tax rate was 16.5% for each of the three years ended 31 December 2011. Qualipak Manufacturing, our principal operating subsidiary incorporated in Hong Kong and a contracting party to the PRC Processing Agreements, has adopted the 50:50 apportionment basis for Hong Kong profits tax assessment for each of the years ended 31 December 2009, 2010 and 2011 pursuant to DIPN 21, so that 50% of its assessable profits deriving from the sales of our products manufactured through the PRC Processing Factories is apportioned and treated as derived from offshore and therefore not taxable in Hong Kong. Our Group's effective tax rates were below 16.5% for each of the years ended 31 December 2009, 2010 and 2011 due to the aforesaid adoption of DIPN 21 by Qualipak Manufacturing. The decrease in our Group's effective tax rates from about 12.5%

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for the year ended 31 December 2009 to 10.6% for the year ended 31 December 2011 was due to, among other factors, the increase in proportion of our Group's total assessable profits contributed by Qualipak Manufacturing and decrease in proportion contributed by other Hong Kong subsidiaries of our Group, including Theme Production which is engaged in the trading of display units. Save for Qualipak Manufacturing, no other Hong Kong subsidiaries of our Group was engaged in the processing arrangement and entitled to the 50:50 offshore claim pursuant to DIPN21 during the Track Record Period. The net profit generated by the Hong Kong subsidiaries of our Group other than Qualipak Manufacturing accounted for less than 20% of total net profit of our Group for each of the years ended 31 December 2009, 2010 and 2011.

Further details are set out in note 11 to the Accountants' Report in Appendix I to this prospectus.

Share of profits and losses of associates

Our interests in associates represent our 30% equity interest in the issued capital of the associates, which are limited companies incorporated in Hong Kong and principally engaged in the design, trading and marketing of corkscrews and kitchenware.

The share of losses of associates by our Group was about HK\$1.0 million, HK\$0.6 million and HK\$0.5 million for each of the three years ended 31 December 2011, respectively, representing a drop of shared loss of about HK\$0.4 million and HK\$0.1 million when comparing 2010 to 2009 and 2011 to 2010, respectively. As advised by the Directors, the drop of the shared losses from associates during the Track Record Period was resulted from the improvement of sales performance and operation of the associates.

Net profit

Our net profit for each of the three years ended 31 December 2011 were about HK\$19.1 million, HK\$31.4 million and HK\$41.5 million, respectively. Our net profit margin was about 6.5%, 8.0% and 9.9% for each of the three years ended 31 December 2011, respectively. The increase of our net profit as well as our net profit margin along from 2009 to 2011 was mainly due to (i) increase of our gross profits; and (ii) good cost control on selling and distribution costs and administrative expenses as these expenses represented a relatively low as percentages of our revenue during the Track Record Period. For each of the years ended 31 December 2009, 2010 and 2011, the selling and distribution costs represented about 4.3%, 3.8% and 3.6% of our revenue of the corresponding year, and administrative expenses represented about 8.2%, 6.4% and 6.7% of our revenue of the corresponding year. For details of analysis of gross profit please refer to the paragraphs headed "Gross profit" of this section. For the details of comparison on year-to-year basis of selling and distribution costs and administrative expenses for the Track Record Period, please refer to the paragraphs headed "For the year ended 31 December 2010" and "For the year ended 31 December 2011" of this section.

For the year ended 31 December 2009

Revenue for the year ended 31 December 2009 amounted to about HK\$294.7 million, of which the sales of packaging cases, bags and pouches, and display units amounted to about HK\$190.0 million, HK\$13.3 million and HK\$76.9 million, respectively, representing about 64.5%, 4.5% and 26.1% of the total revenue of the year, respectively. Average unit selling price per piece of our packaging cases, bags and pouches, and display units was about HK\$12.7, HK\$3.4 and HK\$58.4, respectively. By geographical segment of our customers based on their locations, Europe was our top revenue segment for 2009, to which sales amount of about HK\$145.7 million or about 49.4% of our total revenue was made. The second largest geographical segment was Hong Kong, to which sales amount of about HK\$89.4 million or about 30.3% of total revenue was made. The remaining part of our sales was made to North and South America and other countries which mainly comprised of other Asian countries.

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Cost of sales for the year mainly comprised of costs of production materials and procurement, and processing fees, representing about 59.8% and 28.7% of our cost of sales, respectively. Gross profit was about HK\$56.8 million with a gross profit margin of about 19.3% for the year ended 31 December 2009.

Other income and gains for the year mainly represented income of about HK\$0.8 million from the sales of scrap materials. Our Group also received certain amount of rental income of about HK\$0.5 million from our related parties for licensing of certain area of office premises at 15/F, China United Centre, 28 Marble Road, North Point, Hong Kong and recorded as other income during the year. For further details, please refer to the paragraph headed “CUC existing licence agreement” in the section headed “Connected transaction” of this prospectus.

Selling and distribution costs for the year ended 31 December 2009 amounted to about HK\$12.6 million, which was mainly attributable to freight and distribution expenses of about HK\$6.2 million, staff salaries and allowances of about HK\$4.0 million and license and declaration for customs cost of about HK\$1.5 million, representing about 49.4%, 31.9% and 11.7% of the total selling and distribution costs, respectively.

Administrative expenses, which was mainly comprised of staff salaries and allowances of about HK\$15.0 million, management fee to CC Land of about HK\$2.3 million which was mainly for the portion attributable to our Group in sharing of corporate expenses, including but not limited to the share of the salaries of the directors of CC Land who also oversaw our business of during the Track Record Period, and depreciation of about HK\$1.9 million, was amounted to about HK\$24.1 million for the year ended 31 December 2009. Upon the Spin-off and separate Listing of our Company, the arrangement of management fee between CC Land and our Group will cease.

Other expenses for our Group represented a credit of about HK\$0.5 million which was mainly attributed by the recovery of impairment of trade receivables of about HK\$0.5 million during the year ended 31 December 2009.

For the year ended 31 December 2010

Revenue had increased by about 32.7% from about HK\$294.7 million for the year ended 31 December 2009 to about HK\$391.1 million for the year ended 31 December 2010, primarily as a result of the increasing market demand following the global economy recovery from the global financial crisis in 2009, in particular the booming global demand for watches, jewellery and eyewear products. The increase in sales amount in 2010 was contributed by an increase in sales amount of about 27.7% in packaging cases, 78.6% in bags and pouches and in aggregate 36.5% in display units. Even though recovery in demand for luxury consumer goods was observed following the recovery in global economy from the financial crisis and hence the demand for our products from our customers, the average unit selling price of our packaging cases had observed a decline of about 7.9% as explained in the paragraph headed “Fluctuation of the average unit selling price of our products” above. Contributed by the significant increase of quantities sold of the packaging cases by about 39.5% in 2010 as compared to that of 2009, the overall sales of the Group in 2010 increased by about 32.7%. By geographical segment based on our customers’ locations, Europe remained the top revenue segment for our products, contributing about 44.2% of our total revenue for 2010, decreased by about 5.2% compared to its share as a percentage of the total revenue for 2009. Revenue generated from Europe increased by about 18.5% from about HK\$145.7 million for 2009 to about HK\$172.7 million for 2010, which was in line with the recovery in watches industry of Switzerland and other European countries as indicated by the strong recovery in watches export by Switzerland in 2010.

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Gross profit had increased by about 32.7% from about HK\$56.8 million for the year ended 31 December 2009 to about HK\$75.3 million for the year ended 31 December 2010. Our gross profit margin remained stable at about 19.3%. Nevertheless, rising material prices, in particular, metal and resin, and processing fees due to, amongst others, increase of labour costs incurred by the PRC Processing Factories still posed a major challenge to our Group in 2010. We were able to mitigate the negative impact on our gross profit resulting from the increase in the cost of major production materials and procurement of about HK\$47.8 million or about 33.6% and the increase in processing fees expenses of about HK\$24.8 million or about 36.4% for the year ended 31 December 2010 as compared to that of 2009 by the following: (i) negotiating the selling prices so as to pass the increase in costs to our customers; and (ii) adopting a rigorous approach to controlling costs to counteract the increase in operating costs.

Other income and gains of our Group had decreased by about HK\$0.9 million or about 39.0% from about HK\$2.3 million for the year ended 31 December 2009 to about HK\$1.4 million for the year ended 31 December 2010, primarily as a result of the substantial decrease in foreign exchange gain during the year.

Selling and distribution costs comprised mainly of freight and distribution expenses which had increased by about HK\$1.9 million or about 30.1% from about HK\$6.2 million for the year ended 31 December 2009 to about HK\$8.1 million for the year ended 31 December 2010. The increase of freight and distribution expenses was mainly due to larger shipment volume stemming from increase of production scales and sales amount in 2010 and higher oil prices, and partly due to a higher proportion of our products being shipped to locations such as Europe that are geographically remote from our production facilities in the PRC.

Administrative expenses for the year ended 31 December 2010 had increased by about HK\$0.9 million or about 3.6% to about HK\$25.0 million as compared to the year 2009 from about HK\$24.1 million primarily as a result of the slight increase in staff salaries and allowances of administrative and management staff to about HK\$15.2 million (2009: HK\$15.0 million) for the year ended 31 December 2010 due to the increase of average salaries of staff. Our Group maintained relatively stable administrative expenses in contrast to a larger increase in our revenue which was the result of, amongst others, cost control measures adopted by the management, for example, the recruitment of new staff is subject to the Directors' prior approval.

Other expenses of about HK\$0.9 million were observed for the year, primarily as a result of the impairment of trade receivables for the year ended 31 December 2010.

For the year ended 31 December 2011

Revenue had increased by about 7.1% from about HK\$391.1 million for the year ended 31 December 2010 to about HK\$418.7 million for the year ended 31 December 2011, primarily as a result of increase in average unit selling price of our products due to the booming global demand for watches, jewellery and eyewear products. The increase in average unit selling price in 2011 was contributed by an increase in average unit selling price of about 9.4% in packaging cases, 17.6% in bags and pouches, and 12.1% in display units. Recovery in demand for watches, jewellery and eyewear products was slow down in late 2011 due to the debt crisis in Europe, the sales volume of our packaging products had observed a decline of about 6.1% in 2011. Europe remained the top revenue segment for our products, contributing about 37.0% of our total revenue for 2011, decreased by about 7.2% as a percentage of the total revenue of 2011 as compared to that of 2010.

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Revenue generated from sales to customers located in Europe decreased by about 10.3% from about HK\$172.7 million for 2010 to about HK\$154.9 million for 2011, which was due to, amongst others, the decrease in demand for watches industry in Switzerland and other European countries under the debt crisis of Europe in late 2011.

Although our Group had revisited and redeployed our geographical sales and marketing strategy by increasing the significance of other markets, such as Hong Kong, North and South America and other countries mainly comprised of Asian countries to reduce the effect of debt crisis of Europe in late 2011, our Group's revenue only increased by about 7.1% in 2011 which was less than the increase in revenue in 2010 of about 32.7%. Our Directors consider that the redeployment of our Group's geographical sales and marketing strategy would not lead to a material change of our Group's business operations, product mix or gross profit margin.

Gross profit for the year had increased by about 14.1% from about HK\$75.3 million for the year ended 31 December 2010 to about HK\$85.9 million for the year ended 31 December 2011. Our gross profit margin moved upwards to about 20.5% in 2011 from about 19.3% in 2010, mainly due to the net result of (i) the increase of the average unit selling price of our products, and (ii) negative impact from the increase in the price of major production materials and procurement, and processing fee expenses, of which, nonetheless, the impact was mitigated by revising the selling prices with customers and exercising rigorous cost controlling policy.

Other income and gains of our Group had increased from about HK\$1.4 million for the year ended 31 December 2010 to about HK\$3.6 million for the year ended 31 December 2011, primarily as a result of the increase in foreign exchange gain of about HK\$0.4 million arising from day-to-day transaction involving the foreign currencies, sales of scrap materials of about HK\$0.2 million and a realised gain of about HK\$0.7 million from settlement of non-delivery forward contract of selling US\$ and buying RMB during the year due to increase of the spot exchange rate of RMB versus US\$ from the date of entering into the forward contract to the date of settlement. The forward contract was used to mitigate the currency risk arising from operation as the Group was mainly receiving sale proceeds in US\$ while the operating expenses, in particular, the cost of production materials, the cost of procurement of finished goods and processing fees for the processing arrangements, were correlated to impact of the fluctuation of exchange rate of RMB.

Selling and distribution costs increased by about HK\$0.3 million or about 2.1%, from about HK\$14.7 million for the year ended 31 December 2010 to about HK\$15.0 million for the year ended 31 December 2011, primarily as a result of the increase of licence and declaration fee and other selling and distribution costs. Overall speaking, attributed to the relatively stable sales performance of 2011 as compared to 2010, no material increase in selling and distribution costs was observed when comparing 2011 to 2010.

Administrative expenses for the year ended 31 December 2011 had increased by about 11.8% to about HK\$27.9 million as compared to the year 2010 from about HK\$25.0 million, primarily as a result of the increase in staff salaries and allowances of administrative and management staff to about HK\$17.9 million (2010: HK\$15.2 million) for the year ended 31 December 2011 as a result of increase of average salaries of staff and increase in number of administrative employees. Nonetheless, with the commitment to rigorous cost control, our administrative expenses maintained at a low percentage of about 6.7% (2010: 6.4%) of our Group's total revenue for the year ended 31 December 2011.

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Other expenses of our Group was a credit of about HK\$0.3 million, which was primarily as a result of written back of the impairment of trade receivables for the year ended 31 December 2011.

Major balance sheet items

Property, plant and equipment

Property, plant and equipment consist of land and buildings, leasehold improvements, electricity supply system, furniture, fixtures and equipment, motor vehicles, plant and machinery and moulds. As at 31 December 2009, 2010 and 2011, the carrying amount of our property, plant and equipment amounted to about HK\$135.2 million, HK\$131.3 million and HK\$124.8 million, respectively.

The decrease in property, plant and equipment in 2010 of about HK\$3.9 million was primarily due to annual depreciation charge of about HK\$6.5 million, which were partially offset by additions of about HK\$2.6 million mainly comprised of motor vehicles and machinery and equipment. The decrease in property, plant and equipment in 2011 of about HK\$6.5 million was primarily due to annual depreciation charge of about HK\$5.8 million and disposal of plant and equipment, and mould of about HK\$0.7 million in aggregate.

As disclosed in section headed “Connected transaction” in this prospectus, a portion comprising 7,425 square feet of the Group’s office premises situated at 15th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong (the “Shared Portion”) is shared between our Group and the Remaining CC Land Group in common. As the investment property and non-investment property uses of the Shared Portion could not be physically divided into two portions, and were not in a state to, amongst others, enable either of them to be disposed of at the end of each of the years ended 31 December 2009, 2010 and 2011, and the portion used for the Group’s own operational purposes could not be, being about 40%-50% of the Shared Portion regarded as insignificant, the Shared Portion has been accounted for as property, plant and equipment in the financial statements of the Group for each of the years ended 31 December 2009, 2010 and 2011.

Inventories

	2009		As at 31 December 2010		2011	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Raw materials	12,700	36.4%	12,532	29.1%	12,936	33.2%
Work in progress	9,775	28.0%	13,881	32.2%	11,758	30.1%
Finished goods	12,393	35.6%	16,666	38.7%	14,313	36.7%
	<u>34,868</u>	<u>100.0%</u>	<u>43,079</u>	<u>100.0%</u>	<u>39,007</u>	<u>100.0%</u>

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As at 31 December 2009, 2010 and 2011, our Group recorded inventories balance of about HK\$34.9 million, HK\$43.1 million and HK\$39.0 million, respectively, representing production materials for productions such as plastic, paper, metal, fabric and other exterior materials, work in progress and finished goods pending for delivery to our customers. We record a specific provision if the estimate of the net realisable value of any inventory is below the corresponding cost of such inventory, as a result of, among other things, being idle or damaged. During the year ended 31 December 2009, 2010 and 2011, specific provision for inventories of about HK\$0.7 million mainly for idle raw materials and reversal of specific provision for inventories of about HK\$36,000 and HK\$1.5 million, respectively, were made.

The inventories balance as at 31 December 2010 increased by about HK\$8.2 million or about 23.5% from that as at 31 December 2009. It was primarily due to increase in stocks kept in anticipation of increase of sales in the first quarter of 2011 as compared to the same period of 2010. The Directors consider that the decrease of the inventories balance as at 31 December 2011 by about HK\$4.1 million from 2010 to 2011 was primarily due to less stocks being kept in anticipation of uncertainty of the economy in 2012 under the effect of the depression experienced by European countries in late 2011. Overall speaking, contributed by the stringent inventory management and production policy of enhancing and streamlining our production process, the increase percentage of inventory from date of 31 December 2009 to 31 December 2011, i.e. about 11.9%, was only about one-fourth of the increase percentage of revenue from date of 31 December 2009 to 31 December 2011, i.e. about 42.1%. About 87.9% of inventories as at 31 December 2011 was subsequently utilised/sold up to 15 June 2012.

The following table sets out our average inventories turnover days during the Track Record Period:

	For year ended 31 December		
	2009	2010	2011
Average inventories turnover days (<i>Note</i>)	62.3	45.1	45.0

Note: Average inventories turnover days for each of the years ended 31 December 2009, 2010 and 2011 were calculated based on the average of the inventories balance (net of specific provision for inventories) as at the beginning and ending dates of the year divided by the cost of sales of the respective years and multiplied by 365 days.

The decrease in average inventories turnover days from about 62.3 days in 2009 to about 45.1 days in 2010 was primarily due to booming market demand of our products resulted in faster turnover of inventories. Further, the drop of inventories turnover days was resulted from the effective cost control and cash flow management of our Group. The average inventories turnover days remained stable at about 45.0 days in 2011.

Trade and bills receivables

	As at 31 December		
	2009	2010	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade and bills receivables	38,626	53,820	46,664
Impairment	(433)	(1,050)	(748)
	38,193	52,770	45,916

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As at 31 December 2009, 2010 and 2011, our Group recorded a trade and bills receivables balance of about HK\$38.2 million, HK\$52.8 million and HK\$45.9 million, respectively. Impairment on trade and bills receivables of about HK\$0.4 million, HK\$1.1 million and HK\$0.7 million had been made by our Group as at 31 December 2009, 2010 and 2011, respectively. Such impairment on trade and bills receivables are the provisions assessed on individual basis which relate to outstanding receivables are not expected to be recovered.

The increase in trade and bills receivables balance as at 31 December 2010 of about HK\$14.6 million or 38.2% from that as at 31 December 2009 was primarily due to the increase in revenue of about HK\$96.4 million or about 32.7% in 2010. The trade and bills receivables balance as at 31 December 2011 decreased by about HK\$6.9 million from that as at 31 December 2010 was primarily due to the Group's acceleration of debt collection from customers in light of the uncertain global economic condition in late 2011. About 96.9% of trade and bills receivables as at 31 December 2011 was subsequently received up to the 15 June 2012.

The following table sets out the aged analysis of our trade and bills receivables, net of provisions as at 31 December 2009, 2010 and 2011, respectively, based on the relevant due dates:

	2009		As at 31 December 2010		2011	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Less than 1 month	35,139	92.0	44,766	84.8	39,051	85.0
1 to 2 months	895	2.3	2,459	4.7	3,476	7.6
2 to 3 months	1,612	4.3	3,196	6.1	883	1.9
Over 3 months	547	1.4	2,349	4.4	2,506	5.5
	<u>38,193</u>	<u>100.0</u>	<u>52,770</u>	<u>100.0</u>	<u>45,916</u>	<u>100.0</u>

Amounts past due but not impaired

	2009		As at 31 December 2010		2011	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Less than 1 month	7,679	71.5	11,848	59.7	11,374	62.4
1 to 2 months	895	8.3	2,459	12.4	3,476	19.0
2 to 3 months	1,612	15.1	3,196	16.1	883	4.8
Over 3 months	547	5.1	2,349	11.8	2,506	13.8
	<u>10,733</u>	<u>100.0</u>	<u>19,852</u>	<u>100.0</u>	<u>18,239</u>	<u>100.0</u>

Percentage of total trade and bills receivables	28.1%	37.6%	39.7%
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The credit period granted by us to our customers is considered on a case-by-case basis, depending on our relationship with, and the location, credibility and volume of purchases of, each customer. We generally offer a credit period ranging from 30 to 60 days and each customer has a maximum credit limit.

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Trade and bills receivables that were past due but not impaired relate to a number of independent customers that have good track records with our Group. During the Track Record Period, we had not experienced any material collectability problem from these customers. Based on our assessment, the management considers that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable, given that all of the past due but not impaired accounts receivable as at 31 December 2009 and 2010 were subsequently received and over 96.9% of past due but not impaired accounts receivable as at 31 December 2011 were subsequently received as at 15 June 2012.

The following table sets out our average debtors' turnover days during the Track Record Period:

	For year ended 31 December		
	2009	2010	2011
Average debtors' turnover days (<i>Note</i>)	56.4	42.5	43.0

Note: Average debtors' turnover days for each of the years ended 31 December 2009, 2010 and 2011 were calculated based on the average of the trade and bills receivables balance (net of the provision for impairment) as at the beginning and ending dates of the respective years divided by the revenue of the respective years and multiplied by 365 days.

The decrease in the average debtors' turnover days from about 56.4 days in 2009 to about 42.5 days in 2010 was primarily due to expedited repayment by our customers as a result of the recovery of the global economy and the effective credit control and payment collection by the management. The average debtors' turnover days remained stable at about 43.0 days in 2011.

Prepayments, deposits and other receivables

The following table sets out our Group's prepayments, deposits and other receivables as at the respective year end dates as below.

	2009		As at 31 December 2010		2011	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Prepayments and deposits	2,157	66.0%	2,518	63.0%	4,460	96.9%
Other receivables	1,113	34.0%	1,478	37.0%	140	3.1%
	<u>3,270</u>	<u>100.0%</u>	<u>3,996</u>	<u>100.0%</u>	<u>4,600</u>	<u>100.0%</u>

Prepayments and deposits include utilities deposits and deposits paid to vendors for purchases. Other receivables include advances to staff for trip expenses and other miscellaneous receivable items. The prepayments, deposits and other receivables increased by about HK\$0.7 million from about HK\$3.3 million as at 31 December 2009 to about HK\$4.0 million as at 31 December 2010, which was mainly attributable to increase of advances to staff for trip expenses due to more frequent overseas travelling.

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Prepayments and deposits increased by about HK\$2.0 million from about HK\$2.5 million as at 31 December 2010 to about HK\$4.5 million as at 31 December 2011, which was mainly attributable to, amongst others, increase of deposits paid to vendors for purchases which in turn was the result of, amongst others, more vendors requesting the payment of deposits for the purchase of production material by our Group in late 2011 as compared to that in the corresponding time of 2010. A decrease in other receivables of about HK\$1.3 million was observed from the balance as at 31 December 2011 to that as at 31 December 2010, which was mainly attributable to, amongst others, the decrease of advances to staff for trip expenses which in turn was due to reduction of frequency of overseas travelling.

Trade and bills payables

As at 31 December 2009, 2010 and 2011, our Group recorded trade and bills payables balance of about HK\$33.8 million, HK\$46.3 million and HK\$38.3 million, respectively. The increase in our trade and bills payables as at 31 December 2010 of about HK\$12.5 million or about 37.1% from that as at 31 December 2009 was primarily due to our increased purchases of production materials, which was in line with our increased sales with a growth rate of about 32.7% in 2010. The trade and bills payables balance as at 31 December 2011 decreased by about HK\$8.0 million from that as at 31 December 2010. It was primarily due to accelerated settlement of trade and bills payables by our Group upon requests of the suppliers in late 2011 in light of uncertain global economic condition. Nonetheless, this practice only took place in late 2011 and the amounts involved were not material, the impact on overall operating cash flow of our Group was insignificant and it was further evidenced by average creditors' turnover days for 2011 was similar to that for 2010 as demonstrated below.

The following table sets out the aged analysis of our trade and bills payables as at 31 December 2009, 2010 and 2011, respectively, based on the relevant invoice dates:

	2009		As at 31 December 2010		2011	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Within 1 month	24,114	71.4	31,578	68.2	28,466	74.2
1 to 2 months	2,592	7.7	8,504	18.4	8,997	23.5
2 to 3 months	4,100	12.2	3,744	8.1	456	1.2
Over 3 months	2,946	8.7	2,457	5.3	410	1.1
	<u>33,752</u>	<u>100.0</u>	<u>46,283</u>	<u>100.0</u>	<u>38,329</u>	<u>100.0</u>

Our Group generally receives credit terms of 30 to 60 days from our suppliers. After taking into consideration the tightened credit in the market after the global financial crisis and the impact of such on our suppliers, we had accelerated the settlement of trade and bills payables balance so as to maintain a good relationship with our suppliers. As a result, trade and bills payables balance with age within two months had demonstrated an increasing trend during the Track Record Period, which accounted for about 79.1%, 86.6% and 97.7% of our total trade and bills payables balance as at 31 December 2009, 2010 and 2011, respectively.

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The following table sets out our average creditors' turnover days during the Track Record Period:

	For year ended 31 December		
	2009	2010	2011
Average creditors' turnover days (<i>Note</i>)	51.9	46.3	46.4

Note: Average creditors' turnover days for each of the years ended 31 December 2009, 2010 and 2011 were calculated based on the average of the trade and bills payables balance as at the beginning and ending dates of the respective years divided by the cost of sales of the respective years and multiplied by 365 days.

The decrease in average creditors' turnover days from about 51.9 days in 2009 to about 46.3 days in 2010 was primarily due to our acceleration in settling our trade payables balance with our suppliers during 2010. The average creditors' turnover days remained stable at about 46.4 days in 2011.

Other payables and accruals

	2009		As at 31 December 2010		2011	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Deposits received	12,257	46.6	21,539	62.2	17,912	60.1
Other payables	1,841	7.0	648	1.9	316	1.1
Accruals	12,177	46.4	12,430	35.9	11,555	38.8
	<u>26,275</u>	<u>100.0</u>	<u>34,617</u>	<u>100.0</u>	<u>29,783</u>	<u>100.0</u>

Deposits received represent prepayments made by our customers for purchase of our products. In general, according to our Group's credit control policy, deposits are requested from the new customers when they place the sales orders with our Group. Other payables and accruals mainly include accrued processing fees for the PRC Processing Factories, utilities payables and other payables arose from our operations. The increase in deposits received as at 31 December 2010 of about HK\$9.3 million from that as at 31 December 2009 was primarily due to the increase in prepayments made by our customers as a result of increased sale orders. The decrease in deposits received as at 31 December 2011 of about HK\$3.6 million from that as at 31 December 2010 was primarily due to the decrease in prepayments made by our customers in late 2011.

Amount due to the immediate holding company

As at 31 December 2009, 2010 and 2011, our Group recorded an amount due to the immediate holding company of about HK\$121.5 million, HK\$100.8 million and HK\$52.4 million, respectively. Such balance was interest-free, unsecured and has no fixed terms of repayment. Of this amount, about HK\$10 million has been subsequently repaid by cash while about HK\$43 million has been subsequently waived by the immediate holding company and become our Group's contributed surplus. The details have been set out in the section headed "Reorganisation" of this prospectus.

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Net current assets and liabilities

The following table sets out details of our current assets and current liabilities as at 31 December 2009, 2010 and 2011 and 30 April 2012:

	As at 31 December			As at
	2009	2010	2011	30 April
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)
Current assets				
Prepaid land lease payments	402	402	402	402
Inventories	34,868	43,079	39,007	34,402
Trade and bills receivables	38,193	52,770	45,916	38,577
Prepayments, deposits and other receivables	3,270	3,996	4,600	5,171
Cash and cash equivalents	55,288	65,335	59,798	68,089
Total current assets	<u>132,021</u>	<u>165,582</u>	<u>149,723</u>	<u>146,641</u>
Current liabilities				
Trade and bills payables	33,752	46,283	38,329	34,053
Other payables and accruals	26,275	34,617	29,783	21,858
Due to the immediate holding company	121,541	100,763	52,409	10,077
Tax payable	345	1,328	901	1,459
Total current liabilities	<u>181,913</u>	<u>182,991</u>	<u>121,422</u>	<u>67,447</u>
Net current assets/(liabilities)	<u>(49,892)</u>	<u>(17,409)</u>	<u>28,301</u>	<u>79,194</u>

Our current assets primarily consist of inventories, trade and bills receivables and cash and cash equivalents. Our current liabilities primarily consist of trade and bills payables, other payables and accruals and an amount due to the immediate holding company. We manage our working capital by closely monitoring the level of our trade and bills receivables, trade and bills payables as well as inventory level.

During the Track Record Period, our net current assets value position had been improving gradually from a net current liabilities position of about HK\$49.9 million as at 31 December 2009 to a net current assets position of about HK\$28.3 million as at 31 December 2011. Our net current liabilities position as at 31 December 2009 and 2010 was primarily due to the amounts due to CC Land which mainly arose from dividends declared by Qualipak Development to CC Land in 2007. The Group had achieved a net current assets position as at 31 December 2011 as a result of the income stream generated from our business.

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Our net current liabilities decreased by about HK\$32.5 million or about 65.1% from about HK\$49.9 million as at 31 December 2009 to about HK\$17.4 million as at 31 December 2010, primarily due to (i) an increase in trade and bills receivables of about HK\$14.6 million and an increase in inventories of about HK\$8.2 million so as to cater for the increase of 11.9% of sales of first quarter of 2011 as compared to the same period of 2010; and (ii) a decrease in an amount due to the immediate holding company of about HK\$20.8 million as a result of the repayment to the immediate holding company. Such decrease in net current liabilities was partially offset by an increase in trade and bills payables of about HK\$12.5 million as a result of the increase in purchases of production materials and procured goods in response to the increase in sales in 2010 and increase of other payables and accruals of about HK\$8.3 million as a result of the increase in prepayments made by our customers for the increased sale orders.

Our net current assets had been improving from net current liabilities of about HK\$17.4 million as at 31 December 2010 to net current assets of about HK\$28.3 million as at 31 December 2011, primarily due to (i) a decrease in trade and bills payables of about HK\$8.0 million as a result of the settlement of trade and bills payables by the Group upon requests of the suppliers; and (ii) a decrease in an amount due to the immediate holding company of about HK\$48.4 million as a result of the repayment to the immediate holding company. These amounts were partially offset by (i) a decrease in cash and cash equivalents of about HK\$5.5 million as a result of the settlement of trade and bills payables and an amount due to the immediate holding company; and (ii) a decrease in inventories of about HK\$4.1 million as a result of the inventory management and production policy adopted in reducing the needs to maintain a high level of inventories.

Our net current assets increased by about HK\$50.9 million or 179.8% from about HK\$28.3 million as at 31 December 2011 to about HK\$79.2 million as at 30 April 2012, primarily due to (i) a decrease in an amount due to the immediate holding company of about HK\$42.3 million as a result of the waiver of an amount of HK\$43 million by the immediate holding company on 24 February 2012; and (ii) a decrease in trade and bills payables of about HK\$4.3 million as a result of settlement of trade and bills payables by our Group upon requests of our suppliers. These amounts were partially offset by (i) a decrease in trade and bills receivables of about HK\$7.3 million as a result of the settlement by our customers; and (ii) a decrease in inventories of about HK\$4.6 million as a result of the continuous inventory management and production policy adopted in reducing the needs to maintain a high level of inventories.

TAXATION

Our Company is incorporated in Bermuda as an exempted company with limited liability under the Bermuda Companies Law and, accordingly, is exempted from the payment of Bermuda income tax. For our subsidiaries incorporated in the BVI, they are registered as BVI business companies under the BVI Business Companies Act and are exempted from payment of income tax of BVI.

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the Track Record Period. The PRC Corporate Income Tax ("CIT") has been provided at the applicable rates in accordance with the income tax laws of the PRC.

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During the Track Record Period, the manufacturing operations of our Group were conducted under the PRC Processing Agreements. Pursuant to DIPN 21 issued by the IRD, in the event of a Hong Kong manufacturing company entering into a contract processing arrangement with a PRC entity where the production processes are carried out at a processing facility situated in the PRC and such Hong Kong manufacturing company provides raw materials and machinery without consideration and the technical and managerial know-how according to the processing agreements, profits of the Hong Kong manufacturing company generated from the sale of goods that are manufactured/processed by such PRC entity can be entitled to the 50:50 offshore claim so that 50% of such profit is apportioned and treated as derived outside Hong Kong and the chargeable profits so apportioned can be treated as non-taxable in Hong Kong. Qualipak Manufacturing was able to claim the 50:50 apportionment basis in relation to the profits generated from the sales of goods that are manufactured by the PRC Processing Factories in the tax filing to IRD during the Track Record Period.

Our Directors consider that it is reasonable for our Group to adopt DIPN 21 for the tax assessment of Qualipak Manufacturing based on the following: (i) the production process relating to the manufacturing business of our Group is carried out by the PRC Processing Factories in the PRC pursuant to the PRC Processing Agreements; (ii) the PRC Processing Factories and the respective PRC parties to the relevant PRC Processing Agreements are responsible for, amongst others, the provision of utilities and labour force, while Qualipak Manufacturing is responsible for, amongst others, the supply of raw materials, and machinery and equipment without consideration and to provide technical and managerial know-how in accordance with the terms of the PRC Processing Agreements; (iii) our Group is responsible for monitoring the production process and the operation of the PRC Processing Factories and (iv) as advised by our PRC legal advisers, despite the provision of the factory premises by our Group, it is the ultimate responsibility of the Zhongshan Processing Factory to provide suitable factory premises for use at Zhongshan Processing Factory, and that even if the premises provided by our Group is no longer available or suitable for use, the Zhongshan Processing Factory will still be responsible to provide replacement premises. During the Track Record Period and up to the Latest Practicable Date, although our Group had not received any positive confirmation from the IRD regarding our Group's application of DIPN 21, our Group has not received any objection from the IRD in this respect.

As advised by our tax adviser, unless there is a material change to the Hong Kong tax law or its interpretation, the relevant profits of Qualipak Manufacturing should be entitled to the 50:50 offshore claim pursuant to DIPN 21 under contract processing arrangements. In addition, based on the prevailing practice of the IRD, our tax adviser is of the view that the chance that the 50:50 offshore claim would be rejected by the IRD should be remote. Despite the facts that the land and factory premises of the PRC Processing Factories were leased or owned by the Group and that Zhongshan Processing Factory is a legal entity (企業法人) under PRC laws while Guanlan Processing Factory is not, our tax adviser considers that Qualipak Manufacturing's entitlement to the 50:50 apportionment claim under DIPN 21 should not be adversely affected. Our tax adviser takes this view as it considers that the above facts do not change the involvement of Qualipak Manufacturing in the manufacturing operation in the PRC as required under DIPN 21. Taking into account the aforementioned bases and factors, and the opinion from our tax advisers, our Directors considered that the adoption of DIPN 21 by Qualipak Manufacturing for tax assessment purposes is appropriate in the preparation of the financial statements, and the circumstances that Zhongshan Processing Factory is a legal entity while Guanlan Processing Factory is not a legal entity are not likely to have any impact on the tax provision of Qualipak Manufacturing for each of the three years ended 31 December 2011. Taking into account the aforesaid bases and factors considered by our Directors and our tax adviser, the Sole Sponsor

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concurs with the view of our Directors and our tax adviser in relation to our Group's application of DIPN 21. Our reporting accountants considered that the adoption of DIPN 21 in the computation of the tax provisions by our Directors for each of the three years ended 31 December 2011 is appropriate in the context of Hong Kong Accounting Standard 12 *Income Taxes* ("HKAS12").

As advised by our tax adviser, notwithstanding the above, in the event that the IRD considers that Qualipak Manufacturing's mode of manufacturing operations under the PRC Processing Agreements is not within the scope of profits eligible for apportionment under DIPN 21, or there are any changes in Hong Kong tax law or its interpretations, whether with or without retrospective effective, the IRD might treat Qualipak Manufacturing's profits generated from the sale of goods processed by the PRC Processing Factories under the PRC Processing Agreements as profits derived from Hong Kong, and therefore treated as taxable in Hong Kong. In this event, and if Qualipak Manufacturing is unable to prove otherwise, 50% of the chargeable profits of Qualipak Manufacturing which has previously been treated as non-taxable for Hong Kong profits tax would become taxable and would have an adverse impact on our Group's profitability. In this connection, it is estimated that the additional tax payable by our Group for each of the years ended 31 December 2009, 2010 and 2011 would be about HK\$1.6 million, HK\$2.3 million and HK\$3.3 million, respectively.

Our PRC legal advisers are of the view that, given that (a) a Hong Kong entity under the processing arrangement continues to enjoy a preferential tax treatment according to Circular 37; and (b) no PRC enterprise income tax would be assessed in the PRC in respect of that Hong Kong entity under the processing arrangement according to Circular 37 and Circular 403, our Group is not subject to any PRC taxation in respect of the processing arrangement with the PRC Processing Factories. The fact that the factory premises are provided by our Group, rather than by the PRC parties in accordance with the relevant PRC Processing Agreements, will not affect our Group's PRC tax position as mentioned above.

As at the Latest Practicable Date, Qualipak Manufacturing had not been regarded as tax resident enterprise in the PRC by the relevant tax authorities. However, if the PRC authorities were to subsequently determine that Qualipak Manufacturing should be so treated, a 25% enterprise income tax on the income of Qualipak Manufacturing would be imposed which would significantly increase our tax burden and may have a material adverse impact on our Group's cash flow and profitability. In the unlikely event that our Group is required to pay the PRC enterprise income tax, our Group's theoretical PRC enterprise income tax exposure is estimated to be not more than about HK\$3.9 million, HK\$6.9 million and HK\$9.9 million for each of the years ended 31 December 2009, 2010 and 2011, respectively, by applying 25% on the profit before tax of Qualipak Manufacturing, subject to tax credit under the relevant tax treaties between Hong Kong and the PRC, as if so happened under this hypothetical circumstance.

During each of the three years ended 31 December 2011, our Hong Kong profits tax expenses amounted to about HK\$2.8 million, HK\$4.1 million and HK\$5.0 million, respectively; and Hong Kong profits tax payable by the Group amounted to about HK\$0.3 million, HK\$1.3 million and HK\$0.9 million respectively. The effective tax rates of the Group during the Track Record Period were about 12.5%, 11.5% and 10.6%, respectively.

For the possible impact on the application of the concession of the IRD under DIPN 21 in the event that the PRC Processing Factories are transformed into foreign owned enterprises, please refer to the section headed "Risk factors — Risks relating to our Group — A significant portion of our income previously deemed non-taxable for Hong Kong profits tax may become taxable if there are changes to the relevant Hong Kong tax law and its interpretations or the mode of our PRC manufacturing operations" for further information.

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LIQUIDITY AND FINANCIAL RESOURCES

We have historically funded our operations primarily by cash flows from operating activities. We require cash for:

- our working capital requirements, such as product manufacturing and development; and
- capital expenditures related to the development of new production facilities and the purchases of property, plant and equipment.

The following table is a summary of our Group's cash flow data for the years indicated:

	For year ended 31 December		
	2009	2010	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash flows from operating activities	53,680	37,292	45,179
Net cash flows from/(used in) investing activities	(2,410)	(2,547)	670
Net cash used in financing activities	(76,960)	(24,698)	(51,386)
Net increase/(decrease) in cash and cash equivalents	(25,690)	10,047	(5,537)
Cash and cash equivalents at beginning of year	80,978	55,288	65,335
Cash and cash equivalents at end of year	<u>55,288</u>	<u>65,335</u>	<u>59,798</u>

Cash flows from operating activities

Our operating cash inflows are principally derived from the receipt of payments for the sales of packaging products. Our cash outflows to operating activities are principally for the purchases of production materials, processing fee expenses and other operating costs such as staff costs and utilities.

Year ended 31 December 2009

Net cash flows from operating activities for the year ended 31 December 2009 was about HK\$53.7 million while our Group's profit before tax for the same period was about HK\$21.8 million. The difference of about HK\$31.9 million was primarily as a result of (i) decrease in inventories of about HK\$10.7 million, primarily due to decrease in purchase of production materials and procured goods as a result of better inventory management; (ii) a decrease in trade, bills and other receivables, prepayments and deposits of about HK\$14.7 million, primarily as a result of effective credit control and debt collection policy; and (iii) add back of non-cash expense item of depreciation of property, plant and equipment of about HK\$6.8 million.

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Year ended 31 December 2010

Net cash flows from operating activities for the year ended 31 December 2010 was about HK\$37.3 million while our Group's profit before tax for the same period was about HK\$35.5 million. The difference of about HK\$1.8 million was primarily as a result of (i) an increase in inventories of about HK\$8.2 million, primarily attributable to an increase in purchases of production materials for the increased sales orders placed in early 2011 as compared with the same period of 2010; and (ii) an increase in trade, bills and other receivables, prepayments and deposits of about HK\$15.9 million due to an increase in sales in late 2010 as compared with the same period of 2009; which were in turn partially offset by (i) an increase in trade and bills payable and other payables and accruals of about HK\$20.9 million due to the increase in purchases of production materials in late 2010; and (ii) add back of non-cash expense item of depreciation of property, plant and equipment of about HK\$6.5 million.

Year ended 31 December 2011

Net cash flows from operating activities for the year ended 31 December 2011 was about HK\$45.2 million while our Group's profit before tax for the same period was about HK\$46.4 million. The difference of about HK\$1.2 million was primarily as a result of (i) a decrease in trade and bills payable and other payables and accruals of about HK\$12.8 million mainly due to the accelerated settlement to trade and bills payables in late 2011; and (ii) add back of non-cash item of write-back of allowance for obsolete inventories of about HK\$1.5 million. The amount was partially offset by (i) a decrease in trade, bills and other receivables, prepayments and deposits of about HK\$6.5 million due to the Group's acceleration of the debt collection from customers in light of uncertain global economic condition in late 2011; and (ii) add back of non-cash expense item of depreciation of property, plant and equipment of about HK\$5.8 million.

Cash flows from investing activities

Our Group's cash flows from investing activities were primarily payments used in purchasing plant and equipment and receipts from disposals of plant and equipment. In 2009, we had also utilised HK\$2.0 million for the payment of the consideration payable for the acquisition of Theme Production House Limited, our non-wholly owned subsidiary, in 2007.

Cash flows used in financing activities

Our Group's cash flows used in financing activities were principally repayment of amount due to the immediate holding company of about HK\$73.0 million, HK\$20.8 million and HK\$48.0 million, respectively, for each of the three years ended 31 December 2011.

Financial resources

Prior to the completion of the Share Offer, the operations of our Group were financed principally by the shareholders' equity and internally generated funds. Upon completion of the Share Offer, our Group expects that our operations will be financed mainly by the net proceeds of the Share Offer, available banking facilities and internally generated funds.

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Directors' opinion on sufficiency of working capital

Taking into account the financial resources available to our Group, including internally generated funds, available banking facilities and the estimated net proceeds of the Share Offer, and in the absence of unforeseen circumstances, the Directors are of the opinion that our Group has sufficient working capital for its present requirements for at least 12 months from the date of this prospectus.

DIVIDENDS AND RESERVES

Except for one of our subsidiaries which declared dividends of about HK\$8.0 million, HK\$8.0 million, HK\$7.0 million and HK\$3.0 million during the years ended 31 December 2009, 2010 and 2011 and the period commencing from 1 January 2012 up to the Latest Practicable Date, respectively to its then shareholders, no dividend has been paid or declared by other companies comprising our Group or our Company during the Track Record Period. As at the Latest Practicable Date, all the said dividends declared had been fully settled.

Our historical dividend distributions in the past should not be indicative of our future dividend policy. In general, the amount of future dividends to be declared by our Company will depend on factors such as our profitability, financial condition, business development requirements, future prospects and cash requirements. Any declaration and payment, as well as the amount of dividends, will be subject to our constitutional documents and Bermuda laws, including the approval of our Shareholders or our Directors. Our Directors consider that our Company's dividend policy mentioned above will not materially affect our Group's working capital position in the coming years.

As at 31 December 2011, our Company did not have any distributable reserves available for distribution to the Shareholders.

INDEBTEDNESS

As at 31 December 2009, 2010 and 2011 and 30 April 2012, our Group recorded an amount due to the immediate holding company of about HK\$121.5 million, HK\$100.8 million, HK\$52.4 million and HK\$10.1 million, respectively.

The amount due to the immediate holding company is unsecured, interest-free and has no fixed terms of repayment.

As at 31 December 2009, 2010 and 2011, we had bank credit facilities totalling of about HK\$20.0 million, HK\$20.0 million and HK\$20.0 million, respectively, of which HK\$0.4 million, HK\$0.5 million and HK\$0.5 million were utilised and included in trade and bills payables as at 31 December 2009, 2010 and 2011, respectively. All of the aforesaid utilised amounts of bank credit facilities referred to letters of credit for purchase of products from vendors and were non-interest bearing. All of the bank credit facilities of the Group were guaranteed by the immediate holding company of the Company for each of the three years ended 31 December 2011.

Pledged land and buildings had an aggregate net book value of HK\$5.7 million, HK\$5.6 million, HK\$5.4 million and HK\$5.4 million as at 31 December 2009, 2010 and 2011 and 30 April 2012, respectively.

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As confirmed by our Directors, our Group had no material defaults in payment of trade and non-trade payables and bank borrowings, and/or breaches of the finance covenants during the Track Record Period.

Our Group has not experienced any difficulties in obtaining credit facilities during the Track Record Period and up to the Latest Practicable Date.

Disclaimers

Save as otherwise disclosed above, and apart from the intra-group liabilities, our Group did not have, at the close of business on 30 April 2012, any debt securities issued and outstanding, or authorised or otherwise created but unissued, or term loans or bank overdrafts, charges or debentures, mortgages, loans, or other similar indebtedness or any finance lease commitments, liabilities under acceptances (other than normal trade bills) or acceptance credits or any guarantees or other material contingent liabilities. Our Directors confirmed that there has not been any material change in the indebtedness and contingent liabilities of our Group since 30 April 2012 and up to the date of this prospectus.

DISCLOSURE REQUIRED UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

As at the Latest Practicable Date, the Directors confirmed that there are no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

COMMITMENTS AND CONTINGENT LIABILITIES

Our Group had no capital commitments contracted for, and authorised but not contracted for, but not provided in the financial statements as at 31 December 2009, 2010 and 2011.

As at 31 December 2009, 2010 and 2011, we were committed to make the following minimum lease payments under non-cancellable operating leases for rented premises used by us as manufacturing plants and car parks, which fall due as follows:

	As at 31 December		
	2009	2010	2011
	HK\$'000	HK\$'000	HK\$'000
Within one year	304	854	177
In the second to fifth years, inclusive	—	171	—
	<u>304</u>	<u>1,025</u>	<u>177</u>

As at 31 December 2009, 2010 and 2011, we were committed to receive the following minimum lease receivables under non-cancellable operating leases for rented properties, which fall due as follows:

	As at 31 December		
	2009	2010	2011
	HK\$'000	HK\$'000	HK\$'000
Within one year	<u>385</u>	<u>385</u>	<u>321</u>

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As at 31 December 2011, our Group did not have any material contingent liabilities. The Directors confirmed that there has been no material change in our Group's contingent liabilities since 31 December 2011 and up to the date of this prospectus.

RISK MANAGEMENT

Foreign currency risk

Our Group has foreign currency exposure as the majority of its sales from packaging products were denominated in US\$ while majority of cost of sales were denominated in HK\$.

During the Track Record Period, the sales and cost of sales of our Group denominated in different foreign currencies as a percentage of the total sales and cost of sales of our Group are approximately as follows:

Sales

	For the year ended 31 December		
	2009	2010	2011
Currency			
US\$	61%	65%	65%
HK\$	38%	34%	34%
Other	1%	1%	1%
	<u>100%</u>	<u>100%</u>	<u>100%</u>

Cost of sales

	For the year ended 31 December		
	2009	2010	2011
Currency			
US\$	2%	3%	3%
HK\$	98%	97%	97%
	<u>100%</u>	<u>100%</u>	<u>100%</u>

In addition, we are also indirectly exposed to currency risk of RMB, which is arising from the payment of the processing fees to the PRC Processing Factories. The PRC Processing Factories determine the processing fees with reference to, among other things, their production costs which are denominated in RMB.

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Our Group uses non-deliverable forward currency contracts to manage its foreign currency risk, the relevant foreign currency risk hedging policy was established with key points summarised below:

1. It is the policy of entering into the non-deliverable forward currency contracts for hedging risk arising from operations, but not for any speculative purpose;
2. The non-deliverable forward currency contracts should be initiated by our financial controller and approved by two executive Directors. Our financial controller will monitor the terms of the forward currency contracts to be entered into by us from time to time by assessing the Group's hedging needs, taking into account our extent of exposure to foreign exchange risk, our expected working capital needs involving payment of foreign currency, the then prevailing market condition and the expected foreign exchange rate trends and fluctuations;
3. The maximum notional amount of non-deliverable forward currency contracts should not be more than the forecasted working capital needs involving the payment of RMB for the forthcoming five months and the contract is required to be entered with a fixed forward rate; and
4. The period between the date of entering into the non-deliverable forward currency contract and the date of settlement is preferred to be five months at most.

Credit risk

Our Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations at the end of each reporting period in relation to each class of financial assets is the carrying amount of those assets stated in the statements of financial position.

In order to minimise the credit risk, the trade and other receivable balances are monitored on an ongoing basis by the management to ensure that follow-up action is taken to recover overdue debts. In addition, our Group reviews on regular basis the recoverable amount of each individual trade debt to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, our Directors consider that our Group's credit risk is significantly reduced.

The credit risk on time deposits and bank balances is minimal as such amounts are placed in banks with good reputation.

Our Directors consider that our Group has no significant concentration of credit risk. Trade receivables of our Group consist of a number of customers which are owners of internationally renowned brands with good repayment history with us.

Liquidity risk

The management has built an appropriate liquidity risk management framework for the management of our Group's short and medium-term funding and liquidity management requirements. Our Group manages liquidity risk by continuously monitoring forecasted and actual cash flows and the maturity profiles of its financial liabilities.

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Capital management

Our Group actively and regularly reviews and manages the capital structure in order to maintain a strong healthy capital ratio in order to support its business and maximise shareholder's value and makes adjustments to it in the light of changes in economic condition.

RELATED PARTY TRANSACTIONS

During the Track Record Period, our Group entered into certain related party transactions, details of which are set out in Note 30 headed "Related party transactions" to the Accountants' Report set out in Appendix I to this prospectus. Our Directors confirm that these related party transactions were conducted on normal commercial terms.

FACTORS AFFECTING OUR GROSS PROFIT MARGIN

Our gross profit margin was about 19.3%, 19.3% and 20.5% for the years ended 31 December 2009, 2010 and 2011, respectively. Our gross profit margin is subject to the impact of various factors.

Factors that affect our gross profit margin include:

- *our product mix*

Our gross profit margin is affected by the sales mix of our products with difference gross profit margins. During the Track Record Period, our major products are packaging cases which generated gross profit margin ranging from about 14% to 17%, whereas our higher margin products are display units where generated gross profit margin ranging from about 23% to 27%. It is estimated that it would lead to an increase in gross profit margin by about 1% if the sales of packaging cases had decreased by about 27.7% (being the percentage increase of sales of packaging cases for the year ended 31 December 2010 as compared to the corresponding period of 2009 which was, in turn, maximum range of fluctuation of sales of packaging cases during the Track Record Period), assuming other factors affecting our gross profit margin remain unchanged. It is further estimated that it would lead to a decrease in gross profit margin by about 1% if the sales of display units had decreased by about 36.5% (being the percentage increase of sales of display units for the year ended 31 December 2010 as compared to the corresponding period of 2009 and the maximum range of fluctuation of sales of display units during the Track Record Period), assuming other factors affecting our gross profit margin remain unchanged.

- *the fluctuation of the prices of major production materials*

During the Track Record Period, the cost of production materials and procurement represented the major components of cost of sales, and accounted for about 59.8%, 60.2% and 62.2% of our total cost of sales. The cost of production materials and procurement has fluctuated historically due to fluctuations of the market prices for the production materials. Paper and resin represented the two major production materials

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which accounted for more than 30% of total purchase for each of the years ended 31 December 2009, 2010 and 2011, whereas the average purchase price of paper was seen to have increased by about 8.3% and 3.8%, and that of resin was seen to have increased about 29.7% and 12.5%, comparing 2010 to 2009, and 2011 to 2010 (as the case may be). It is estimated that it would lead to a decrease of gross profit margin by about 2% if average purchase prices of paper and resin had increased by about 8.3% and 29.7% respectively (the respective maximum ranges of fluctuations of average purchase prices of paper and resins during the Track Record Period), assuming other factors affecting our gross profit margin remain unchanged.

- *the processing fees*

During the Track Record Period, the processing fees accounted for about 28.7%, 29.5% and 28.9% of our total cost of sales. Fluctuation of processing fees may impact our gross profit margin, and it is estimated that it would lead to a decrease of gross profit margin by more than about 8% if processing fees had increased by about 36.4% (the maximum range of fluctuation of the processing fees during the Track Record Period), assuming other factors affecting our gross profit margin remain unchanged.

- *the extent to which our Group would be able to maintain a cost-plus model*

We adopt a cost-plus model to develop our quotations for our customers. The margin that we charge depends on factors such as the complexity of the product, the amount of labour involved in the design or production processes, the volume of the order, the relationship with the customer and, in respect of display units to be sourced by us from third party suppliers, our procurement costs for these display units. Our gross profit margin would be adversely affected if we were no longer able to adopt such pricing model or our ability to maintain such model was restricted.

SENSITIVITY ANALYSIS

Our net profit is subject to, amongst others, selling price of the products and cost of sales which in turn is affected by, among others, the purchase and purchase prices of major production material used by our Group.

The following table illustrates the sensitivity analysis of the combined net profit attributable to the owners of our Company for each of the years ended 31 December 2009, 2010 and 2011 with reference to movements in average selling price of packaging cases, bags and pouches and display units, assuming all other variables held constant. The movement of average selling prices of packaging cases, bags and pouches and display units for each of the years ended 31 December 2009, 2010 and 2011 used in the below analysis represents the maximum range in fluctuation of the average selling prices during the Track Record Period.

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For the year ended 31 December 2009

	Increase/decrease in the average selling prices	Approximate increase/decrease in combined net profit for the year attributable to owners of our Company <i>HK\$ million</i>
Packaging cases	+/- 9.4%	+/- 16
Bags and pouches	+/- 17.6%	+/- 2
Display units	+/- 12.1%	+/- 5
Combined impact		+/-23

For the year ended 31 December 2010

	Increase/decrease in the average selling prices	Approximate increase/decrease in combined net profit for the year attributable to owners of our Company <i>HK\$ million</i>
Packaging cases	+/- 9.4%	+/- 20
Bags and pouches	+/- 17.6%	+/- 4
Display units	+/- 12.1%	+/- 6
Combined impact		+/-30

For the year ended 31 December 2011

	Increase/decrease in the average selling prices	Approximate increase/decrease in combined net profit for the year attributable to owners of our Company <i>HK\$ million</i>
Packaging cases	+/- 9.4%	+/- 24
Bags and pouches	+/- 17.6%	+/- 3
Display units	+/- 12.1%	+/- 7
Combined impact		+/-34

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The following table illustrates the sensitivity analysis of the combined profit for the year attributable to owners of our Company for each of the years ended 31 December 2009, 2010 and 2011 with reference to movements in average purchase price of major production materials used by our Group, assuming all other variables held constant and that we were no longer able to continue to pass on such increase in costs of materials to our customers. The movement of average purchase prices of major production materials for each of the years ended 31 December 2009, 2010 and 2011 used in the below analysis represents the maximum range in fluctuation of the average purchase prices during the Track Record Period.

For the year ended 31 December 2009

Major production materials	Increase/decrease in the average purchase prices	Approximate decrease/increase in combined net profit for the year attributable to owners of our Company <i>HK\$ million</i>
Fabric	+/- 10.3%	-/+ 1
Imitation leather	+/- 9.5%	-/+ 1
Metal	+/- 24.4%	-/+ 1
Paper	+/- 8.3%	-/+ 1
Resin	+/- 29.7%	-/+ 2
Combined impact		-/+ 6

For the year ended 31 December 2010

Major production materials	Increase/decrease in the average purchase prices	Approximate decrease/increase in combined net profit for the year attributable to owners of our Company <i>HK\$ million</i>
Fabric	+/- 10.3%	-/+ 2
Imitation leather	+/- 9.5%	-/+ 1
Metal	+/- 24.4%	-/+ 1
Paper	+/- 8.3%	-/+ 2
Resin	+/- 29.7%	-/+ 4
Combined impact		-/+ 10

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For the year ended 31 December 2011

Major production materials	Increase/decrease in the average purchase prices	Approximate decrease/increase in combined net profit for the year attributable to owners of our Company <i>HK\$ million</i>
Fabric	+/- 10.3%	-/+ 2
Imitation leather	+/- 9.5%	-/+ 1
Metal	+/- 24.4%	-/+ 2
Paper	+/- 8.3%	-/+ 3
Resin	+/- 29.7%	-/+ 7
Combined impact		-/+ 15

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS

The following is an illustrative and unaudited pro forma statement of adjusted combined net tangible assets of our Group prepared in accordance with Rule 4.29 of the Listing Rules and on the basis of the notes set out below for the purpose of illustrating the effect of the Share Offer on the combined net tangible assets of our Group attributable to owners of our Company as if the Share Offer had taken place on 31 December 2011. This unaudited pro forma statement of adjusted combined net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of our Group had the Share Offer been completed as at 31 December 2011 or any future dates:

	Combined net tangible assets attributable to owners of our Company as at 31 December 2011 <i>HK\$'000</i> <i>(Note 1)</i>	Estimated net proceeds from the Share Offer <i>HK\$'000</i> <i>(Note 2)</i>	Unaudited pro forma adjusted combined net tangible assets <i>HK\$'000</i>	Unaudited pro forma adjusted combined net tangible assets per Share <i>HK\$</i> <i>(Note 3)</i>
Based on an Offer Price of HK\$1.59 per Share	164,037	20,599	184,636	1.28

FINANCIAL INFORMATION

Notes:

- (1) The combined net tangible assets attributable to owners of our Company as at 31 December 2011 is extracted from the Accountants' Report set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Share Offer are based on the Offer Price of HK\$1.59 per Share after deduction of the underwriting fees and other related expenses payable by our Company. No account has been taken of the Shares which may be issued upon the exercise of any option that may be granted under the Share Option Scheme.
- (3) The unaudited pro forma adjusted combined net tangible assets per Share is calculated based on 143,765,993 Shares expected to be in issue immediately following the completion of the Share Offer without taking into account of any Shares which may be issued upon the exercise of any option that may be granted under the Share Option Scheme or any Shares which may be allotted, issued or repurchased by our Company pursuant to the general mandates for the allotment and issue or repurchase of Shares.
- (4) The Group's certain property interests as at 30 April 2012 have been valued by DTZ Debenham Tie Leung Limited, an independent property valuer, and the relevant property valuation report is set out in Appendix III to this prospectus – Property Valuation. The revaluation surplus of these properties was not incorporated in our Group's combined financial information for the year ended 31 December 2011. The above adjustments do not take into account the revaluation surplus attributable to our Group arising from the revaluation of our Group's certain property interests amounting to about HK\$72.2 million. If the revaluation surplus was recorded in our Group's financial statements, additional annual depreciation and amortisation of about HK\$1.6 million would be charged.
- (5) No adjustment has been made to reflect any trading results or other transactions of our Group entered into subsequent to 31 December 2011.

PROPERTY INTERESTS

Details relating to our property interests were set out (i) in section headed “Business – Property” of this prospectus (for those properties for which no valuation report was included in this prospectus due to the exemption from compliance with section 342(1)(b) of the Companies Ordinance in respect of paragraph 34(2) of the Third Schedule to the Companies Ordinance (the “Exemption from Valuation Requirement”)) and (ii) in the property valuation report as set out in Appendix III of this prospectus (for those properties for which valuation reports was included in this prospectus).

DTZ Debenham Tie Leung Limited, an independent property valuation firm, has valued certain properties interest owned by us as at 30 April 2012, other than those for which no valuation report was included in this prospectus pursuant to the Exemption from Valuation Requirement. The text of their letters, summaries of values and valuation certificates of these valued property interests were set out in Appendix III of this prospectus.

FINANCIAL INFORMATION

A reconciliation of the net book value of our Group's valued property interests as at 31 December 2011 to the fair value of those valued property interests as at 30 April 2012 as stated in Appendix III to this prospectus is as follows:

	<i>HK\$ '000</i> (unaudited)
Net book value of our Group's property interests as at 31 December 2011	132,441
Less: the property interests (not being valued as at 30 April 2012 pursuant to the Exemption from Valuation Requirement)	(63,231)
Net book value of our Group's valued property interests as at 31 December 2011	69,210
Less: Depreciation and amortisation	(633)
Net book value of our Group's valued property interests as at 30 April 2012	68,577
Add: Valuation surplus	72,243
Valuation amount as at 30 April 2012	140,820

RECENT BUSINESS DEVELOPMENT

Set out below is the key financial information of our Group for the four months ended 30 April 2012 together with the corresponding period in 2011 as extracted by our Directors from the unaudited condensed combined interim financial statements of our Company for the four months ended 30 April 2012 (the "April 2012 financial statements"). Our Directors are responsible for the preparation and fair presentation of the April 2012 financial statements in accordance with Hong Kong Accounting Standard 34 "*Interim Financial Reporting*" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The April 2012 financial statements are unaudited but have been reviewed by our Company's reporting accountants, Ernst & Young, in accordance with the Hong Kong Standard on Review Engagements 2410 "*Review on Interim Financial Information Performed by the Independent Auditor of the Entity*" issued by the HKICPA.

	For the four months ended	30 April 2011	Percentage decrease
	<i>HK\$ '000</i>	<i>HK\$ '000</i>	%
	(unaudited)	(unaudited)	
Revenue	101,639	130,624	22.2%
Gross profit	18,313	27,124	32.5%
Profit before tax	5,957	13,969	57.4%
Income tax expense	(558)	(1,500)	62.8%
Profit for the period	5,399	12,469	56.7%
Profit for the period attributable to owners of the Company	5,538	11,086	50.0%
			Decrease
Gross profit margin	18.0%	20.8%	2.8%
Net profit margin	5.3%	9.5%	4.2%

FINANCIAL INFORMATION

The following represents management analysis on our Group's results for the four months ended 30 April 2012 which does not form part of the April 2012 financial statements.

Based on the April 2012 financial statements of our Group for the four months ended 30 April 2012 and that for the corresponding period in 2011, (i) the average unit selling price of each of the three principal categories of our products, namely packaging cases, bags and pouches, and display units, recorded an increase of about 4.3%, 21.4% and 11.6% respectively as compared to the corresponding period in 2011; and (ii) the sales quantities of packaging cases, bags and pouches, and display units recorded a decrease of about 15.2%, 30.8% and 60.4% respectively as compared to the corresponding period in 2011.

As shown above, our revenue decreased by about 22.2% for the four months ended 30 April 2012 as compared to the corresponding period in 2011. The Directors consider that the decrease in revenue was mainly due to the drop in market demand for packaging products and display units for the four months ended 30 April 2012 caused mainly by, among others, the debt crisis in Europe, which affected the economic conditions and consumer confidence, and thereby demands in our products. Due to the decrease in the sale quantities of our major products, in particular, the significant decrease of the sales quantities of display units (the average selling price of which was higher than that of packaging cases and bags and pouches), our revenue decreased for the four months ended 30 April 2012 notwithstanding the increase in the average unit selling price of these products during the period.

Our Directors consider that the decrease in gross profit, gross profit margin and net profit during the four months ended 30 April 2012 as compared with that in 2011 was mainly attributable to the decrease in our revenue and the increase in processing fees per unit of our product to the PRC Processing Factories during the period which in turn was primarily affected by the increase in labour costs of the PRC Processing Factories.

Meanwhile, our Directors also note that the average unit purchase prices of paper and resin purchased by our Group over the four months ended 30 April 2012 exhibited a decrease of about 11.7% and an increase of about 3.3%, respectively, as compared with the four months ended 30 April 2011, and that over the period from 1 May 2012 and up to 15 June 2012 exhibited a decrease of about 6.9% and 1.4%, respectively, as compared with the four months ended 30 April 2012.

As of 15 June 2012, the aggregate orders for our products delivered or scheduled for delivery from 1 May 2012 to 31 December 2012 were estimated to be about HK\$149 million. In respect of the aforementioned orders, the average unit selling prices of each of the three principal categories of our products, namely packaging cases, bags and pouches and display units, were about 7.0%, 14.5% and 8.7% higher, respectively, as compared with the average unit selling prices of the packaging cases, bags and pouches, and display units sold during the four months ended 30 April 2012. It is expected that the processing fees to the PRC Processing Factories per unit of our products for the year ending 31 December 2012 may also increase as a result of (among others) increase in labour costs in the PRC per unit of our products in 2012.

FINANCIAL INFORMATION

Our Directors take the view that if the adverse market conditions persist, they may continue to affect the demand of our products, which may in turn affect our bargaining power in terms of the selling price of our products for the forthcoming period of 2012, and there may be a downward pressure on the quantities of our products sold and our gross profit margin for the year ending 31 December 2012. Taking into account our Group's financial performance for the four months ended 30 April 2012, the status of our order book as of 15 June 2012 and the expected increase in the average processing fees per unit of our products in 2012, if the market demand for packaging products and display units remains weak for 2012, our Group's financial results for the first six months ending 30 June 2012 and for the year ending 31 December 2012 may decline as compared with the corresponding periods in 2011.

MATERIAL ADVERSE CHANGE

Our Directors confirm that there was material adverse change in our financial or trading position of our Group since 31 December 2011 (being the date to which our latest audited combined financial results were prepared as set out in the "Accountants' Report" in Appendix I to this prospectus) up to the date of this prospectus. For details, please refer to the paragraph headed "Recent Business Development" of this section.

FUTURE PLANS AND USE OF PROCEEDS FROM THE SHARE OFFER

FUTURE PLANS AND PROSPECTS

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

USE OF PROCEEDS

Our Directors estimate that the net proceeds to be received by our Company from the Share Offer will be about HK\$20.6 million, after deducting the underwriting commissions and other estimated expenses payable by our Company in relation to the Share Offer.

Our Directors presently intend to use the net proceeds from the Share Offer as follows:

- about 40% will be used for the acquisition and replacement of machinery and equipment for enhancing our production efficiency and capability, with an expected increase by about one-tenth of the annual production capacity from the additional machinery and equipment;
- about 40% will be used to explore new business opportunities and enhance market awareness of products manufactured by our Group, as to about 18% for participation in various trade fairs and exhibitions, about 15% for strengthening our Group’s sales and marketing team by recruitment of additional staff for sales and marketing, and about 7% for general use for marketing activities;
- about 10% will be used to enhance our Group’s capability of design and development of our Group’s manufactured products by, amongst others, acquisition of new computer hardware and software; and
- about 10% will be used for working capital and other general corporate purposes.

To the extent that the net proceeds of the Share Offer are not immediately required for the above purposes, our Directors presently intend that such proceeds will be placed on short-term deposits with licensed banks or financial institutions in Hong Kong.

UNDERWRITING

UNDERWRITER

Haitong International Securities Company Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Underwriting Agreement

Under the Underwriting Agreement, we have agreed to offer the Offer Shares for subscription on and subject to the terms and conditions of this prospectus and the Application Forms.

Pursuant to the Underwriting Agreement, and conditional upon, *inter alia*, the Listing Committee granting listing of, and permission to deal in, the Shares, in issue and to be issued as mentioned in this prospectus (subject only to allotment and/or despatch of share certificates for the Offer Shares and such other usual conditions for transaction of this nature) and certain other conditions, the Underwriter has agreed to subscribe for, or procure subscribers to subscribe for, the Offer Shares which are not taken up under the Share Offer on the terms and conditions of the Underwriting Agreement, this prospectus and the Application Forms.

Grounds for termination

The Sole Lead Manager is entitled to terminate the Underwriting Agreement by giving written notice before 8:00 a.m. (Hong Kong time) on the Listing Date (the “**Termination Time**”) to our Company if any of the following events shall occur prior to the Termination Time:

- (a) there comes to the notice of any of the Sole Sponsor or the Sole Lead Manager of any matter or event showing any of the representations, warranties or undertakings contained in the Underwriting Agreement to be untrue, inaccurate or misleading in any material respect when given or repeated or there has been a breach of any of the warranties or any other obligations imposed on any party to the Underwriting Agreement (other than those undertaken by the Sole Sponsor and/or the Sole Lead Manager) which, in any such cases, is considered, in the sole and absolute opinion of the Sole Lead Manager, to be material in the context of the Share Offer; or
- (b) any statement contained in this prospectus or the Application Forms has become or been discovered to be untrue, incorrect or misleading in any respect; or
- (c) any matter which, had it arisen or been discovered immediately before the date of this prospectus and not having been disclosed in this prospectus, would have constituted, in the sole and absolute opinion of the Sole Lead Manager, a material omission in the context of the Share Offer; or
- (d) any event, act or omission which gives or is likely to give rise to any material liability of our Company or any of CC Land, the Controlling Shareholders and the executive Directors arising out of or in connection with any representations, warranties or undertakings contained in the Underwriting Agreement; or

UNDERWRITING

- (e) there shall have developed, occurred, existed or come into effect any event or series of events, matters or circumstances whether occurring or continuing before, on and/or after the date of the Underwriting Agreement and including an event or change in relation to or a development of an existing state of affairs concerning or relating to any of the following:
 - (i) any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong, Bermuda, the BVI, the PRC, any of the jurisdictions in which our Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or any other jurisdiction relevant to our Group; or
 - (ii) any change in, or any event or series of events or development resulting or likely to result in the local, national, regional or international financial, currency, political, military, industrial, economic, stock market or other market conditions or prospects; or
 - (iii) the imposition of any moratorium, suspension or material restriction on trading in securities generally on any of the markets operated by the Stock Exchange due to exceptional financial circumstances or otherwise; or
 - (iv) any change or development involving a prospective change in taxation or exchange control (or the implementation of any exchange control) in Hong Kong, Bermuda, the BVI, the PRC, any of the jurisdictions in which our Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or other jurisdiction relevant to our Group; or
 - (v) any change or prospective change in the business or in the financial or trading position or prospects of any member of our Group; or
 - (vi) the imposition of economic sanction or withdrawal of trading privileges, in whatever form, by the US or by the European Union (or any member thereof) or by Europe on Hong Kong or the PRC; or
 - (vii) a general moratorium on commercial banking activities in the PRC or Hong Kong declared by the relevant authorities; or
 - (viii) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, economic sanctions, fire, flood, explosion, epidemic, outbreak of an infectious disease, calamity, crisis, terrorism, strike or lock-out (whether or not covered by insurance); or
 - (ix) any other change whether or not ejusdem generis with any of the foregoing,

UNDERWRITING

which, in the sole and absolute opinion of the Sole Lead Manager:

- (aa) is or will be or is likely to be adverse, in any material respect, to the business, financial or trading condition or prospects of our Group taken as a whole or, in the case of subparagraph (iv) above, on any present or prospective shareholder in his/its capacity as such shareholder of our Company; or
- (bb) has or will have or is likely to have a material adverse effect on the success of the Share Offer as a whole or the level of the Offer Shares being demanded, applied for or accepted, the distribution of the Offer Shares; or
- (cc) for any reason makes it impracticable, inadvisable or inexpedient to proceed with the Share Offer as a whole.

For the above purpose, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the US or any change of Hong Kong currency under such system shall be taken as an event resulting in a change in currency conditions; and any market fluctuations, whether or not within the normal range therefor, may be considered a change of market conditions.

Undertakings

Under Rule 10.08 of the Listing Rules, no further Shares or securities convertible into our equity securities (whether or not a class already listed) may be issued by us or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such an issue of Shares or our securities will be completed within six months from the Listing Date), except in certain circumstances as prescribed by Rule 10.08 of the Listing Rules.

Under the Underwriting Agreement, our Company has undertaken to and covenanted with the Sole Sponsor and the Sole Lead Manager that, and each of the executive Directors and the Controlling Shareholders has jointly and severally undertaken to the Sole Sponsor and the Sole Lead Manager to procure (so far as he/she/it is able to do so) that:

- (a) without the prior written consent of the Sole Sponsor and the Sole Lead Manager (such consent not to be unreasonably withheld or delayed) and subject always to the requirements of the Stock Exchange, save for the Offer Shares, the Shares to be issued pursuant to the Capitalisation Issue, the grant of any options under the Share Option Scheme, and any Shares which may fall to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, or otherwise than by way of scrip dividend schemes or similar arrangements in accordance with the memorandum of association and the Bye-laws or any consolidation, sub-division or capital reduction of the Shares, our Company shall not allot or issue, accept subscriptions for, offer, sell or contract to sell, grant or agree to grant any option or other right in, directly or indirectly, conditionally or unconditionally, any shares, warrants or other convertible or exchangeable securities carrying the right to subscribe for or exchangeable into shares or other securities of our Company, or offer or agree to do any of the foregoing or announce any intention to do so:

UNDERWRITING

- (i) at any time during the period commencing on the date by reference to which disclosure of the shareholding of the Controlling Shareholder is made in this prospectus and ending on the date which is six months from the Listing Date (“**First Lock-up Period**”); or
 - (ii) at any time during the six months commencing on the date on which the First Lock-up Period expires (the “**Second Lock-up Period**”) so as to result in the Controlling Shareholders, taken together with the other of them, ceasing to be a group of controlling shareholders (as defined in the Listing Rules) of our Company; or
- (b) at any time during the First Lock-up Period, subject to the Listing Rules and the Takeovers Code, our Company shall not make or agree to make any repurchase of Shares or other securities of our Company.

Under Rule 10.07(1) of the Listing Rules, our Controlling Shareholders shall not, and procure that the relevant registered holder(s) shall not:

- (a) during the First Lock-up Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or our securities in respect of which they are shown by this prospectus to be the beneficial owners; or
- (b) at any time during the Second Lock-up Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or securities referred to in (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, our Controlling Shareholders would cease to be a group of controlling shareholders (as defined in the Listing Rules) of our Company.

In accordance with Note (3) of Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has also undertaken to us and the Stock Exchange that, during the period commencing on the date by reference to which disclosure of his/its shareholding in our Company is made in this prospectus and ending on the date which is the 12 months from the Listing Date, he/it will:

- (1) when he/it pledges or charges any securities of our Company beneficially owned by him/it in favour of an authorized institution pursuant to Note (2) to Rule 10.07 (2) of the Listing Rules, immediately inform us of such pledge or charge together with the number of securities so pledged or charged; and
- (2) when he/it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities of our Company will be disposed of, immediately inform us of such indications.

UNDERWRITING

Under Note (3) to Rule 10.07 (2) of the Listing Rules, we are required to inform the Stock Exchange as soon as practicable after we have been informed of the matters referred to in (1) or (2) above by any of the Controlling Shareholders and disclose such matters by way of an announcement in compliance with the Listing Rules.

Under the Underwriting Agreement, each of our Controlling Shareholders has severally undertaken to us, the Sole Sponsor and the Sole Lead Manager that, save as (i) pursuant to the Share Offer; or (ii) permitted under the Listing Rules and with the prior written consent of the Sole Sponsor and the Sole Lead Manager:

- (a) he/it shall not, and shall procure that none of his/its associates or any company controlled by him/it or any of his/its associates, nominees or trustees holding in trust for him/it will, at any time during the First Lock-up Period, sell, transfer or otherwise dispose of (other than by way of a security for a bona fide commercial loan in favour of an authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong (the “**Banking Ordinance**”)), or enter into any agreement (other than by way of a security for a bona fide commercial loan in favour of an authorised institution (as defined in the Banking Ordinance)) to sell, transfer or dispose of, or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares (or any interest therein) directly or indirectly owned by him/it or in which he/it is, directly or indirectly, interested immediately after completion of the Share Offer or any interest in any shares in any company controlled by him/it which is the beneficial owner of any of these Shares, or enter into any swap or other arrangements that transfer the economic consequences of ownership of such Shares or interest, whether any of the foregoing transactions or arrangement is to be settled by delivery of such Shares or other securities, in cash or otherwise, or offer or agree to do any of the foregoing or announce any intention to do so, provided that the foregoing restriction shall not apply to any Shares which any of them may acquire or become interested in following the Listing Date provided further that any such acquisition would not result in any breach of Rule 8.08 of the Listing Rules;
- (b) he/it shall not, and shall procure that none of his/its associates or any company controlled by him/it or any of his/its associates, nominees or trustees holding in trust for him/it will, at any time during the Second Lock-up Period, sell, transfer or otherwise dispose of (other than by way of a security for a bona fide commercial loan in favour of an authorised institution (as defined in the Banking Ordinance), or enter into any agreement (other than by way of a security for a bona fide commercial loan in favour of an authorised institution (as defined in the Banking Ordinance)) to sell, transfer or dispose of, or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares (or any interest therein) directly or indirectly owned by him/it or in which he/it is, directly or indirectly, interested immediately after completion of the Share Offer or any interest in any shares in any company controlled by him/it which is the beneficial owner of any of these Shares, or enter into any swap or other arrangements that transfer the economic consequences of ownership of such Shares or interest, whether any of the foregoing transactions or arrangement is to be settled by delivery of such Shares or other securities, in cash or otherwise, or offer or agree to do any of the foregoing or announce any intention to do so, if, immediately following such action, our Controlling Shareholders, when taken together, would cease to be a group of controlling shareholders (as defined in the Listing Rules) of our Company; and

UNDERWRITING

- (c) without prejudice to the undertakings as referred to in paragraphs (a) and (b) above, during the period commencing on the date by reference to which disclosure of his/her/its direct or indirect shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, he/she/it shall:
 - (i) when he/she/it pledges or charges or otherwise create any rights of encumbrances over any Shares or other securities of our Company or those of Regulator Holdings and/or Thrivetrade beneficially owned by him/it in favour of an authorised institution (as defined in the Banking Ordinance) pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform us, the Sole Sponsor and the Sole Lead Manager of such pledge or charge or creation of the rights of encumbrances together with the number of the securities so pledged or charged and all other information as requested by us, the Sole Sponsor and/or the Sole Lead Manager; and
 - (ii) subsequent to the pledge or charge or creation of rights or encumbrances over the Shares (or interest therein) or other shares or interests as mentioned in sub-paragraph (i) above, when he/it receives any indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged or encumbered securities as referred to in sub-paragraph (i) above will be disposed of, immediately inform us of such indication, and inform the Sole Sponsor and the Sole Lead Manager as soon as practicable thereafter (taking into account the requirements of applicable laws, rules and regulations) of such indications.

Under the Underwriting Agreement, each of our Controlling Shareholders jointly and severally undertakes to us, the Sole Sponsor and the Sole Lead Manager that he/it shall take up and apply for or procure Regulator Holdings, Thrivetrade and/or any company controlled by him/it which is entitled to his/its Assured Entitlements of the Reserved Shares under the Preferential Offer to take up and apply for, all the Reserved Shares available to him/it pursuant to his/its Assured Entitlement under the Preferential Offer.

Preferential Offer

Under the Underwriting Agreement, any of the Reserved Shares being offered pursuant to the Preferential Offer and not taken up by the CC Land Qualifying Shareholders will be re-allocated to the Public Offer and fully underwritten by the Underwriter.

Commission and expenses

The Underwriter will receive an underwriting commission of 3.0% of the aggregate Offer Price payable for the Offer Shares, out of which it will (as the case may be) pay any sub-underwriting commissions. In addition, the Sole Sponsor will receive financial advisory and documentation fees for acting as the Sole Sponsor to the Share Offer. Such underwriting commission and fees, together with the Stock Exchange listing fee, legal and other professional fees, applicable printing and other expenses relating to the Distribution and the Share Offer are estimated to be about HK\$22.6 million in total.

UNDERWRITING

The Listing involves the Distribution by CC Land and the Share Offer by our Company. As set out in the sections headed “Distribution and Spin-off” and “Structure and conditions of the Share Offer” of this prospectus, the Distribution and the Share Offer will respectively involve a total of 129,389,994 Shares and 14,375,999 Shares, representing respectively about 90% and 10% of the enlarged issued share capital of the Company immediately upon completion of the Distribution and the Share Offer. In proportion to the ratio between the Distribution and the Share Offer, our Company and CC Land have agreed under the Underwriting Agreement that all such underwriting commission and other fees and expenses relating to the Distribution and the Share Offer shall be borne as to 90% by CC Land and 10% by our Company. Accordingly, about HK\$20.3 million of the total listing expenses will be borne by CC Land as it is directly related to the Distribution, while about HK\$2.3 million of the total listing expenses will be borne by our Company. The amount payable by our Company will be accounted for as a deduction from equity by our Company instead of being recognised as expenses in the combined statement of comprehensive income of our Group for the year ending 31 December 2012, given that the expenses are directly attributable to the Share Offer.

Underwriter’s interests in our Company

Save for the Underwriter’s obligations and interests under the Underwriting Agreement as disclosed above and the proposed appointment of the Sole Sponsor as compliance adviser of our Company, the Underwriter does not have any shareholding interest in our Company or any member of our Group or does not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Results of allocations in the Public Offer and the Preferential Offer, including the Hong Kong identity card/passport/Hong Kong business registration certificate numbers of successful applicants (where supplied) and the number of Offer Shares successfully applied for under **WHITE**, **YELLOW** or **BLUE** Application Forms or by applying online through the **HK eIPO White Form** Service or by giving **electronic application instructions** to HKSCC via CCASS will be made available as described under the section headed “How to apply for the Public Offer Shares and Reserved Shares — IV. Publication of results” of this prospectus.

PRICE PAYABLE ON APPLICATION

Applicants under the Public Offer or Preferential Offer should pay, on application, the Offer Price of HK\$1.59 per Offer Share plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.003% SFC transaction levy, amounting to a total of HK\$3,212.06 per board lot of 2,000 Offer Shares.

CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for the Offer Shares is conditional upon the satisfaction of all of the following conditions:

1. Listing

The Listing Committee granting the approval of the listing of, and permission to deal in, the Shares in issue and the Shares to be issued pursuant to the Share Offer and any Shares, up to 10% of the issued share capital of our Company as at the date of approval of the Share Option Scheme in accordance with the Listing Rules, which may fall to be issued upon the exercise of any options which may be granted under the Share Option Scheme (and such listing and permission not subsequently being revoked prior to the commencement of dealings in the Shares on the Stock Exchange).

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

2. Underwriting Agreement

The obligations of the Underwriter under the Underwriting Agreement becoming unconditional (if relevant, as a result of the waiver of any conditions given by the Sole Sponsor (for itself and on behalf of the Sole Lead Manager)), and not being terminated in accordance with its terms or otherwise. Details of the Underwriting Agreement and grounds for termination are set out in the section headed “Underwriting” in this prospectus. If these conditions are not fulfilled on or before the time and date specified in the Underwriting Agreement or such later date as the Sole Sponsor (for itself and on behalf of the Sole Lead Manager) may in its absolute discretion determine, the Share Offer will lapse and your application money will be refunded to you, without interest, and by post at your own risk. The terms on which your application money will be returned to you are set out under the paragraph headed “Refund of your money” in the relevant Application Forms.

In the meantime, your application money will be held in one or more separate bank accounts with the receiving banker or other bank(s) licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

THE SHARE OFFER

The Share Offer comprises the Public Offer and the Preferential Offer. A total of 14,375,999 Shares will be made available under the Share Offer, of which 8,625,999 Shares, representing about 60% of the total number of Shares initially being offered under the Share Offer, will initially be offered for subscription under the Preferential Offer. The remaining 5,750,000 Shares, representing about 40% of the total number of Shares initially being offered under the Share Offer, will initially be offered for subscription under the Public Offer. The number of Shares offered for subscription under the Public Offer and the Preferential Offer will be subject to re-allocation on the basis described below. No pre-emption right or right to subscribe for the Offer Shares has been granted.

THE PUBLIC OFFER

Our Company is initially offering, at the Offer Price, 5,750,000 Shares (subject to re-allocation as mentioned in the paragraph headed “Re-allocation of Offer Shares from the Preferential Offer to the Public Offer” below), representing about 40% of the total number of Shares being initially offered under the Share Offer, for subscription by members of the public in Hong Kong under the Public Offer. The Public Offer is fully underwritten by the Underwriter subject to the terms and conditions of the Underwriting Agreement. Applicants for the Public Offer Shares are required on application to pay the Offer Price plus 1% brokerage, 0.003% SFC transaction levy and 0.005% Stock Exchange trading fee.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Allocation of the Public Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of the Public Offer Shares validly applied for by each applicant. When there is over subscription under the Public Offer, allocation of the Public Offer Shares may involve balloting, which would mean that some applicants may be allotted more Public Offer Shares than others who have applied for the same number of the Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares. The results of the Public Offer and basis of allocation of the Public Offer Shares (with successful applicants' identification document numbers, where appropriate) are expected to be published in South China Morning Post (in English) and Sing Tao Daily (in Chinese) on Wednesday, 11 July 2012.

Multiple applications or suspected multiple applications or applications for more than 100% of the Public Offer Shares being initially offered for public subscription under the Public Offer (i.e. to apply for more than 5,750,000 Public Offer Shares) are liable to be rejected.

The Public Offer is subject to the conditions as stated in the paragraph headed "Conditions of the Share Offer" above.

THE PREFERENTIAL OFFER

In order to enable the CC Land Shareholders to participate in the Share Offer on a preferential basis as to allocation only, CC Land Qualifying Shareholders are being invited to apply for an aggregate of up to 8,625,999 Reserved Shares (representing about 60% of the Offer Shares and about 6% of the enlarged issued share capital of our Company upon completion of the Share Offer) in the Preferential Offer on the basis of an Assured Entitlement of one Reserved Share for every whole multiple of 300 CC Land Shares held by them as at the close of business on the Record Date. CC Land Fractional Shareholders will not be entitled to apply for any Reserved Share.

The Assured Entitlements may represent Shares not in a multiple of a full board lot of 2,000 Shares, and dealings in odd lot Shares may be at below their prevailing market price. Neither our Company nor the Sole Sponsor will be making special arrangements for the trading of odd lots.

A **BLUE** Application Form is being despatched to each CC Land Qualifying Shareholder together with a copy of this prospectus. CC Land Qualifying Shareholders are permitted to apply for a number of Reserved Shares which is less than or equal to their Assured Entitlements under the Preferential Offer. A valid application in respect of a number of Reserved Shares less than or equal to a CC Land Qualifying Shareholder's Assured Entitlement will be accepted in full, subject to the terms and conditions set forth in the **BLUE** Application Forms. If an application is made for a number of Reserved Shares greater than the Assured Entitlement of a CC Land Qualifying Shareholder, the Assured Entitlement will be satisfied in full but the excess portion of such application will only be met to the extent that there are sufficient available Reserved Shares resulting from other CC Land Qualifying Shareholders with an Assured Entitlement declining to take up all or some of their Assured Entitlements. The Sole Lead Manager will allocate any Reserved Shares not taken up by the CC Land Qualifying Shareholders on a fair and reasonable basis and may give preference to topping up odd lots to whole board lots.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

CC Land Shareholders with their CC Land Shares held by a nominee company (including HKSCC Nominees) should note that the board of directors of CC Land will regard the nominee company (including HKSCC Nominees) as a single CC Land Shareholder according to the register of members of CC Land. Accordingly, CC Land Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Reserved Shares on the basis of the top-up arrangement will not be extended to beneficial owners individually.

If an application is made for a number of Reserved Shares greater than or less than the Assured Entitlement of a CC Land Qualifying Shareholder, the applicant is recommended to apply for a number in one of the multiples of full board lots stated in the table of multiples and payments on the back page of the **BLUE** Application Form which also states the amount of remittance payable on application for each multiple of full board lots of Reserved Shares. If such applicant does not follow this recommendation when applying for greater than or less than the Assured Entitlement, he/she/it must calculate the correct amount of remittance payable on application for the number of Reserved Shares applied for by using the formula set out below the table of multiples and payments on the back page of the **BLUE** Application Form. Any application not accompanied by the correct amount of application monies will be treated as invalid in its entirety and no Reserved Share will be allotted to such applicant.

CC Land Qualifying Shareholders who have applied for Reserved Shares under the Preferential Offer on a **BLUE** Application Form, as beneficial owner, may also make one application either on a **WHITE** or **YELLOW** Application Form, or by means of the **HK eIPO White Form** service, or by giving **electronic application instructions** to HKSCC via CCASS (if you are a CCASS Investor Participant or act through a CCASS Clearing or CCASS Custodian Participant) for the Public Offer Shares in the Public Offer. However, CC Land Qualifying Shareholders will receive no preference as to entitlement or allocation in respect of applications for Public Offer Shares made on **WHITE** or **YELLOW** Application Forms or by means of the **HK eIPO White Form** service or by giving **electronic application instructions** to HKSCC under the Public Offer.

Assured Entitlements of CC Land Qualifying Shareholders are not transferable and there will be no trading in nil-paid entitlements on the Stock Exchange.

CC Land, being our sole Shareholder as at the date of this prospectus, and each of our Directors and their respective associates cannot take up and subscribe for any Reserved Shares under the Preferential Offer either in its/his/her own name or through nominees. Save under circumstances permitted by the Listing Rules, other connected person (as defined in Chapter 1 of the Listing Rules) of our Company and a person who will become a connected person (as defined in Chapter 1 of the Listing Rules) of our Company immediately upon completion of the Share Offer cannot apply for any Reserved Shares under the Preferential Offer, whether in their own names or through nominees.

The procedure for application under and the terms and conditions of the Preferential Offer are set out in the section headed “How to apply for Public Offer Shares and Reserved Shares” in this prospectus and on the **BLUE** Application Forms.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

RE-ALLOCATION OF OFFER SHARES FROM THE PREFERENTIAL OFFER TO THE PUBLIC OFFER

The allocation of Offer Shares between the Public Offer and the Preferential Offer is subject to re-allocation. In the event there remains any Reserved Shares not taken up by the CC Land Qualifying Shareholders after satisfying in full all the excess applications for the Reserved Shares from certain CC Land Qualifying Shareholders on a fair and reasonable basis, such Reserved Shares will be re-allocated to the Public Offer.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND RESERVED SHARES

I. HOW TO APPLY FOR THE PUBLIC OFFER SHARES

METHODS OF APPLYING FOR THE PUBLIC OFFER SHARES

There are three ways to make an application for the Public Offer Shares. You may apply for the Public Offer Shares by (i) using a **WHITE** or **YELLOW** Application Form; (ii) apply online through the designated website of the designated **HK eIPO White Form** Service Provider, referred to in this section as the “**HK eIPO White Form** service”; or (iii) by giving **electronic application instructions** to HKSCC via CCASS to cause HKSCC Nominees to apply for the Public Offer Shares on your behalf. Except where you are a nominee and provide the required information in your application, **you or you and your joint applicant(s) may not make more than one application (whether individually or jointly) by applying using a WHITE or YELLOW Application Form or applying online through the HK eIPO White Form service or by giving electronic application instructions to HKSCC via CCASS.**

WHO CAN APPLY FOR THE PUBLIC OFFER SHARES

You can apply for Public Offer Shares if you or any person(s) for whose benefit you are applying are an individual, and:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States and will be acquiring the Public Offer Shares in an offshore transaction (as defined in Regulation S); and
- are not a US Person (as defined in Regulation S).

If you wish to apply for Public Offer Shares online through the designated website at www.hkeipo.hk under the **HK eIPO White Form** service, in addition to the above, you must also:

- have a valid Hong Kong identity card number; and
- be willing to provide a valid e-mail address and a contact telephone number.

You may only apply by means of the **HK eIPO White Form** service if you are an individual applicant. Corporations or joint applicants may not apply by means of the **HK eIPO White Form** service.

If the applicant is a firm, the application must be in the names of the individual members, not the firm’s name. If the applicant is a body corporate, the application form must be stamped with the company chop (bearing the company name) signed by a duly authorised officer, who must state his or her representative capacity.

If an application is made by a person duly authorised by a valid power of attorney, our Company and the Sole Lead Manager (or their respective agents or nominees) may accept it at their discretion, and subject to any conditions they think fit, including production of evidence of the authority of the attorney.

The number of joint applicants may not exceed four.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND RESERVED SHARES

Our Company, the Sole Lead Manager or their respective agents or nominees have full discretion to reject or accept any application, or to accept only part of any application. No reasons have to be given for any rejection or acceptance.

Except in the circumstances permitted under the Listing Rules, the Public Offer Shares are not available for subscription by existing beneficial owners of the Shares, our Directors or chief executives of our Company or any of its subsidiaries or the associates of any of them, or any other connected persons (as defined in Chapter 1 of the Listing Rules) of our Company or persons who will become connected persons (as defined in Chapter 1 of the Listing Rules) of our Company immediately upon completion of the Share Offer.

WHICH APPLICATION FORM TO USE

Use a **WHITE** Application Form or apply online through the **HK eIPO White Form** service if you want the Public Offer Shares to be issued in your own name.

Use a **YELLOW** Application Form if you want the Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant.

Note: Except in the circumstances permitted under the Listing Rules, the Public Offer Shares are not available for subscription by existing beneficial owners of the Shares, our Directors or chief executives of our Company or any of its subsidiaries or the associates of any of them, or any other connected persons (as defined in Chapter 1 of the Listing Rules) of our Company or persons who will become connected persons (as defined in Chapter 1 of the Listing Rules) of our Company immediately upon completion of the Share Offer.

WHERE TO COLLECT THE APPLICATION FORMS

Copies of this prospectus, together with the **WHITE** Application Forms, may be obtained during normal business hours from 9:00 a.m. on Thursday, 28 June 2012 until 12:00 noon on Wednesday, 4 July 2012 from:

Haitong International Securities Company Limited

25th Floor, New World Tower
16-18 Queen's Road Central
Hong Kong

or any of the following branches of Hang Seng Bank Limited:

District	Branch Name	Address
Hong Kong Island:	Head Office	83 Des Voeux Road Central
	Des Voeux Road West Branch	52 Des Voeux Road West
	Causeway Bay Branch	28 Yee Wo Street
Kowloon:	Hoi Yuen Road Branch	55 Hoi Yuen Road
	Kowloon Main Branch	618 Nathan Road
	Hung Hom Branch	21 Ma Tau Wai Road
New Territories:	Shatin Branch	Shop 18, Lucky Plaza, Wang Pok Street, Shatin
	Tsuen Wan Branch	289 Sha Tsui Road, Tsuen Wan

HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND RESERVED SHARES

The **YELLOW** Application Forms, together with copies of this prospectus, may be obtained during normal business hours from 9:00 a.m. on Thursday, 28 June 2012 until 12:00 noon on Wednesday, 4 July 2012 at the Depository Counter of HKSCC at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong. Your stockbroker may also have the **YELLOW** Application Forms and this prospectus available.

HOW TO COMPLETE THE APPLICATION FORMS

There are detailed instructions on each Application Form. You should read those instructions carefully. If you do not follow the instructions, your application may be rejected and returned by ordinary post together with the accompanying cheque or banker's cashier order to you (or the first-named applicant in the case of joint applicants) at your own risk to the address stated in the Application Form.

If your application is made through a duly authorised attorney, our Company, the Sole Sponsor, the Sole Lead Manager and/or their respective agents or nominees may accept it at their respective discretion, and subject to any conditions as any of them may think fit, including evidence of the authority of your attorney.

You should note that by completing and submitting an Application Form, among other things:

- (a) you confirm that you 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 save as set out in any supplement to this prospectus;
- (b) you agree that none of our Company, the Sole Sponsor, the Sole Lead Manager, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Share Offer is or will be liable for any information and representations not contained in this prospectus (and any supplement thereto) and the Application Forms; and
- (c) you agree to disclose to our Company, and/or the share registrars, receiving bankers, the Sole Sponsor, the Sole Lead Manager and their respective advisers and agents any personal data and any information which they require about you and the person(s) for whose benefit you have made the application.

In order for the **YELLOW** Application Forms to be valid:

You, as the applicant(s), must complete the form as indicated below and sign on the first page of the Application Form. Only written signature will be accepted.

- (a) **if the application is made through a designated CCASS Participant (other than a CCASS Investor Participant):**
 - the designated CCASS Participant must endorse the form with its company chop (bearing its company name) and insert its CCASS Participant ID in the appropriate box in the Application Form.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND RESERVED SHARES

- (b) if the application is made by an individual CCASS Investor Participant:**
- (i) the Application Form must contain the CCASS Investor Participant's full name and Hong Kong identity card number; and
 - (ii) the individual CCASS Investor Participant must insert its CCASS Participant ID in the appropriate box in the Application Form.
- (c) if the application is made by joint individual CCASS Investor Participants:**
- (i) the Application Form must contain all joint CCASS Investor Participants' names and the Hong Kong identity card numbers of all of the joint CCASS Investor Participants; and
 - (ii) the CCASS Participant ID must be inserted in the appropriate box in the Application Form.
- (d) if the application is made by a corporate CCASS Investor Participant:**
- (i) the Application Form must contain the CCASS Investor Participant's company name and the Hong Kong business registration certificate number; and
 - (ii) the CCASS Participant ID must be inserted and the company chop (bearing the CCASS Investor Participant's company name) chopped in the appropriate box in the Application Form.

Incorrect or omission of details of the CCASS Participant (include participant ID and/or company chop bearing its company name) or other similar matters may render your application invalid.

If your application is made through a duly authorised attorney, our Company, the Sole Lead Manager and/or their respective agents or nominees may accept the application at their discretion, and subject to any conditions they think fit, including evidence of the authority of your attorney. Our Company, the Sole Lead Manager and/or their respect agents or nominees will have full discretion to reject or accept any application, in full or in part, without assigning any reasons.

Nominees who wish to submit separate applications in their names on behalf of different beneficial owners are requested to designate on each Application Form in the box marked "For nominees" account numbers or other identification codes for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND RESERVED SHARES

HOW TO APPLY THROUGH THE HK eIPO WHITE FORM SERVICE

General

- (a) If you are an individual and meet the criteria set out in the paragraph headed “Who can apply for the Public Offer Shares” of this section, you may apply through the **HK eIPO White Form** service by submitting an application online through the designated website at www.hkeipo.hk. If you apply through the **HK eIPO White Form** service, our Shares will be issued in your own name. Only individual applicants may apply by means of the **HK eIPO White Form** service. Corporations or joint applications may not apply by means of the **HK eIPO White Form** service.
- (b) Detailed instructions for application through the **HK eIPO White Form** service are set out on the designated website at www.hkeipo.hk. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected by the designated **HK eIPO White Form** Service Provider and may not be submitted to our Company.
- (c) By submitting an application online to the designated **HK eIPO White Form** Service Provider through the **HK eIPO White Form** service, you are deemed to have authorised the designated **HK eIPO White Form** Service Provider to apply on the terms and conditions set out in this prospectus, as supplemented or amended by the terms and conditions applicable to the **HK eIPO White Form** service.
- (d) In addition to the terms and conditions set out in this prospectus, the designated **HK eIPO White Form** Service Provider may impose additional terms and conditions upon you for the use of the **HK eIPO White Form** service. Such terms and conditions are set out on the designated website at www.hkeipo.hk. You will be required to read, understand and agree to such terms and conditions in full prior to making any application.
- (e) By submitting an application to the designated **HK eIPO White Form** Service Provider through the **HK eIPO White Form** service, you are deemed to have authorised the designated **HK eIPO White Form** Service Provider to transfer the details of your application to our Company and our Hong Kong Share Registrar.
- (f) You may submit an application through the **HK eIPO White Form** service in respect of a minimum of 2,000 Public Offer Shares. Each application in respect of more than 2,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms, or as otherwise specified on the designated website at www.hkeipo.hk.
- (g) You should submit an application online through the **HK eIPO White Form** service at the times set out in the paragraph headed “Time for applying for the Public Offer Shares — **HK eIPO White Form**” below.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND RESERVED SHARES

- (h) You should make payment for your application made through the **HK eIPO White Form** service in accordance with the methods and instructions set out on the designated website at www.hkeipo.hk. If you do not make complete payment of the application monies (including any related fees) at or before 12:00 noon on Wednesday, 4 July 2012, or such later time as described in the paragraph headed “Effect of bad weather on the opening of the application lists” of this section, the designated **HK eIPO White Form** Service Provider will reject your application and your application monies will be returned to you in the manner described on the designated website at www.hkeipo.hk.
- (i) **Warning: The application for Public Offer Shares through the HK eIPO White Form service is only a facility provided by the designated HK eIPO White Form Service Provider to public investors. Our Company, our Directors, the Sole Lead Manager, the Sole Sponsor, the Underwriter and the designated HK eIPO White Form Service Provider take no responsibility for any such applications and provide no assurance that applications through the HK eIPO White Form service will be submitted to our Company or that you will be allotted any Public Offer Shares.**

Please note that internet services may have capacity limitations and/or be subject to service interruptions from time to time. To ensure that you can submit your applications through the **HK eIPO White Form** service, you are advised not to wait until the last minute for submitting applications in the Public Offer to submit your applications online. In the event that you have problems connecting to the designated website at www.hkeipo.hk for the **HK eIPO White Form** service, you should submit a **WHITE** Application Form. However, once you have submitted applications online and completed payment in full using the application reference number provided to you on the designated website at www.hkeipo.hk, you will be deemed to have made an actual application and should not submit a **WHITE** Application Form. Please refer to the paragraph headed “How many applications you may make for the Public Offer Shares” below.

Additional information

For the purposes of allocating Public Offer Shares, each applicant submitting applications online through the **HK eIPO White Form** service to the designated **HK eIPO White Form** Service Provider through the designated website at www.hkeipo.hk will be treated as an applicant.

If your payment of application monies is insufficient, or in excess of the required amount, having regard to the number of Public Offer Shares for which you have applied, or if your application is otherwise rejected by the designated **HK eIPO White Form** Service Provider, the designated **HK eIPO White Form** Service Provider may adopt alternative arrangements for the refund of monies to you. Please refer to the additional information provided by the designated **HK eIPO White Form** Service Provider on the designated website at www.hkeipo.hk.

Otherwise, any monies payable to you due to a refund shall be made pursuant to the arrangements described in the paragraph headed “Despatch/Collection of Share certificates and refund of application money” below.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND RESERVED SHARES

HOW TO APPLY BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC

General

CCASS Participants may give **electronic application instructions** to HKSCC to apply for the Public Offer Shares and to arrange payment of the monies due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time.

If you are a CCASS Investor Participant, you may give **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or CCASS Internet System at <https://ip.ccass.com> (according to the procedures contained in 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.

Copies of this prospectus are available for collection from the above address. If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for Public Offer Shares on your behalf.

You are deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application whether submitted by you or through your broker or custodian to our Company and our Company's Hong Kong branch share registrar and transfer office.

Application for the Public Offer Shares by HKSCC Nominees on your behalf

Where a **WHITE** Application Form is signed by HKSCC Nominees on behalf of persons who have given **electronic application instructions** to apply for the Public Offer Shares:

- (i) HKSCC Nominees is only acting as a nominee for those persons and shall not be liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees does the following things on behalf of each such person:
 - **agrees** that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the stock account of the CCASS Participant who has input **electronic application instructions** on that person's behalf or that person's CCASS Investor Participant stock account;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND RESERVED SHARES

- **undertakes and agrees** to accept the Public Offer Shares in respect of which that person has given **electronic application instructions** or any lesser number;
- (if the **electronic application instructions** are given for that person's own benefit) **declares** that only one set of **electronic application instructions** has been given for that person's benefit;
- (if that person is an agent for another person) **declares** that that person has only given one set of **electronic application instructions** for the benefit of that other person and that that person is duly authorised to give those instructions as that other person's agent;
- **understands** that the above declaration will be relied upon by our Company, the Directors, the Sole Sponsor and the Sole Lead Manager in deciding whether or not to make any allotment of the Public Offer Shares in respect of the **electronic application instructions** given by that person and that that person may be prosecuted if he makes a false declaration;
- **authorises** our Company to place the name of HKSCC Nominees on the register of members of our Company as the holder of the Public Offer Shares allotted in respect of that person's **electronic application instructions** and to send share certificate(s) and/or refund monies in accordance with the arrangements separately agreed between our Company and HKSCC;
- **confirms** that that person has read the terms and conditions and application procedures set out in this prospectus and agrees to be bound by them;
- **confirms** that that person has only relied on the information and representations in this prospectus (and any supplement thereto) in giving that person's **electronic application instructions** or instructing that person's broker or custodian to give **electronic application instructions** on that person's behalf;
- **agrees** that our Company, the Sole Sponsor, the Sole Lead Manager, their respective directors, officers, employees, advisers and any other parties involved in the Share Offer are not liable for the information and representations not so contained in this prospectus and any supplement thereto;
- **agrees** to disclose that person's personal data to our Company, its registrars, receiving banker, advisor and agents, and any information which they may require about that person;
- **agrees** (without prejudice to any other rights which that person may have) that once the application of HKSCC Nominees is accepted, the application cannot be rescinded for innocent misrepresentation;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND RESERVED SHARES

- **agrees** that any application made by HKSCC Nominees on behalf of that person pursuant to **electronic application instructions** given by that person is irrevocable on or before Friday, 27 July 2012, such agreement to take effect as a collateral contract with our Company and to become binding when that person gives the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person on or before Friday, 27 July 2012 except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application on or before Friday, 27 July 2012 if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;
- **agrees** that once the application of HKSCC Nominees is accepted, neither that application nor that person's **electronic application instruction** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Public Offer published by our Company;
- **agrees** to the arrangements, undertakings and warranties specified in the participant agreement between that person and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of **electronic application instructions** relating to the Public Offer Shares;
- **agrees** with our Company (for itself and for the benefit of each of the Shareholders) that the Shares are freely transferable by the holders thereof; and
- **agrees** that that person's application, any acceptance of it and the resulting contract will be governed by and constructed in accordance with the laws of Hong Kong.

Effect of giving electronic application instructions to HKSCC

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, you each jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees will 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 CCASS Participants) to apply for Public Offer Shares on your behalf;
- **instructed and authorised** HKSCC to arrange payment of the Offer Price, brokerage, SFC transaction levy and Stock Exchange trading fee by debiting your designated bank account and, in the case of wholly or partly unsuccessful applications, refund of the application monies, in each case including brokerage, SFC transaction levy and Stock Exchange trading fee, by crediting your designated bank account;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND RESERVED SHARES

- **instructed and authorised** HKSCC to cause HKSCC Nominees to do on your behalf all the things which it is stated to do on your behalf in the **WHITE** Application Form.

Minimum subscription amount and permitted multiples

You may give or cause your broker or a custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** in respect of a minimum of 2,000 Public Offer Shares. Such instructions in respect of more than 2,000 Public Offer Shares must be in one of the numbers or multiples set out in the table in the Application Forms. No application for any other number of the Public Offer Shares will be considered and any such application is liable to be rejected.

Multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic applications instructions** to HKSCC via CCASS or to the **HK eIPO White Form** Service Provider through the **HK eIPO White Form** service, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for Public 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. Further information in this regard is set forth under “How many applications you may make for the Public Offer Shares” below.

Allocation of the Public Offer Shares

For the purposes of allocating the Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit each such instruction is given will be treated as an applicant.

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company and the registrars about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

Section 40 of the Companies 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 Ordinance.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND RESERVED SHARES

Warning

The subscription of Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Our Company, the Directors, the Sole Sponsor and the Sole Lead Manager take no responsibility for the application and provide no assurance that any CCASS Participants will be allotted any Public Offer Shares. To ensure that CCASS Investor Participants can give their **electronic application instructions** to HKSCC through the CCASS Phone System or CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input their **electronic application instructions** to the systems. In the event that CCASS Investor Participants have problems connecting to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit the **WHITE** or **YELLOW** Application Form (as appropriate), or (ii) go to HKSCC's Customer Service Centre to complete an application instruction input request form before 12:00 noon on Wednesday, 4 July 2012 or such later time as described under the sub-paragraph headed "Effect of bad weather on the opening of the application lists" below.

HOW MANY APPLICATIONS YOU MAY MAKE FOR THE PUBLIC OFFER SHARES

There is only one situation where you may make more than one application for the Public Offer Shares. You may make more than one application for the Public Offer Shares if you are a nominee, in which case you may make an application by using a **WHITE** or **YELLOW** Application Form or by means of the **HK eIPO White Form** service or by way of giving **electronic application instructions** to HKSCC via CCASS, and lodge more than one Application Form in your own name on behalf of different beneficial owners. In the box on the relevant Application Form marked "For nominee(s)" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each such beneficial owner. If you do not include this information, the application will be treated as being for your own benefit. **Otherwise, multiple applications are not allowed.**

It will be a term and condition of all applications that by completing and delivering an Application Form or by means of the **HK eIPO White Form** service or by giving **electronic application instructions** to HKSCC via CCASS, you:

- if the application is made for your own benefit, warrant that this is the only application which will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by means of the **HK eIPO White Form** service or through giving **electronic application instructions** to HKSCC via CCASS;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND RESERVED SHARES

- if you are an agent for another person, warrant that reasonable enquiries have been made of that other person that this is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by means of the **HK eIPO White Form** service or through giving **electronic application instructions** to HKSCC via CCASS, and that you are duly authorised to sign the relevant Application Form or by applying online through the **HK eIPO White Form** service or give **electronic application instructions** as that other person's agent.

Multiple applications or suspected multiple applications are liable to be rejected. All of your applications are liable to be rejected as multiple applications if you, or you and your joint applicant(s) together:

- make more than one application (whether individually or jointly with others) on a **WHITE** or **YELLOW** Application Form or by means of the **HK eIPO White Form** service or by way of giving **electronic application instructions** to HKSCC via CCASS;
- apply (whether individually or jointly with others) on one **WHITE** Application Form and one **YELLOW** Application Form or one **WHITE** or **YELLOW** Application Form and by means of the **HK eIPO White Form** service or by way of giving **electronic application instructions** to HKSCC via CCASS; or
- apply (whether individually or jointly with others) on one **WHITE** or **YELLOW** Application Form or by means of the **HK eIPO White Form** service or by way of giving **electronic application instructions** to HKSCC via CCASS for more than 100% of the Public Offer Shares initially available for subscription under the Public Offer.

All of your applications will also be rejected as multiple applications if more than one application is made for your benefit (including the part of the application made by HKSCC Nominees 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.

An unlisted company means a company with no equity securities listed on the Stock Exchange.

Statutory control means you:

- control the composition of the board of directors of that company; and/or
- control more than half the voting power of that company; and/or

HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND RESERVED SHARES

- hold more than one-half of the issued share capital of that company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

TIME FOR APPLYING FOR THE PUBLIC OFFER SHARES

WHITE and YELLOW Application Forms

Completed **WHITE** or **YELLOW** Application Forms, with payment attached, must be lodged by 12:00 noon on Wednesday, 4 July 2012, or, if the application lists are not open on that day, then by the time and date stated in the paragraph headed “Effect of bad weather on the opening of the application lists”.

Your completed Application Form, with payment in Hong Kong dollars for the full amount payable on application attached, should be deposited in the special collection boxes provided at any one of the branches of Hang Seng Bank Limited listed under the paragraph headed “Where to collect the Application Forms” above at the following times:

Thursday 28 June 2012	—	9:00 a.m. to 5:00 p.m.
Friday, 29 June 2012	—	9:00 a.m. to 5:00 p.m.
Saturday, 30 June 2012	—	9:00 a.m. to 1:00 p.m.
Tuesday, 3 July 2012	—	9:00 a.m. to 5:00 p.m.
Wednesday, 4 July 2012	—	9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, 4 July 2012.

HK eIPO White Form

You may submit your application to the designated **HK eIPO White Form** Service Provider through the designated website at www.hkeipo.hk from 9:00 a.m. on Thursday, 28 June 2012, until 11:30 a.m. on Wednesday, 4 July 2012, or such later time as described in the paragraph headed “Effect of bad weather on the opening of the application lists” of this section (24 hours daily, except on the last application day). The latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, 4 July 2012, the last application day, or, if the application lists are not open on that day, then by the time and date stated in the paragraph headed “Effect of bad weather on the opening of the application lists” of this section.

You will not be permitted to submit your application to the designated **HK eIPO White Form** Service Provider through the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the 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.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND RESERVED SHARES

Electronic application instructions

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

Thursday 28 June 2012 — 9:00 a.m. to 8:30 p.m. (1)
Friday, 29 June 2012 — 8:00 a.m. to 8:30 p.m. (1)
Saturday, 30 June 2012 — 8:00 a.m. to 1:00 p.m. (1)
Tuesday, 3 July 2012 — 8:00 a.m. to 8:30 p.m. (1)
Wednesday, 4 July 2012 — 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 Thursday, 28 June 2012 until 12:00 noon on Wednesday, 4 July 2012 (24 hours daily, except the last application date).

The latest time for inputting your **electronic application instructions** (if you are a CCASS Participant) is 12:00 noon on Wednesday, 4 July 2012 or, if the application lists are not open on that day, by the time and date stated under “Effects of bad weather on the opening of the application lists” below.

Application lists

Subject to the events as described in the paragraph headed “Effect of bad weather on the opening of the application lists” below, the application lists will open at 11:45 a.m. and close at 12:00 noon on Wednesday, 4 July 2012.

No proceedings will be taken on application for the Shares and no allotment of any such Shares will be made until the closing of the application lists.

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 signal

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 4 July 2012.

Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warning signals in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND RESERVED SHARES

CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED THE PUBLIC OFFER SHARES

Full details of the circumstances in which you will not be allocated the Public Offer Shares are set out in the notes attached to the related Application Forms, and you should read them carefully. You should note, in particular, the following situations in which the Public Offer Shares will not be allocated to you:

If your application is revoked

By depositing the **WHITE** or **YELLOW** Application Form or by applying online through the **HK eIPO White Form** service or submitting **electronic application instructions** to HKSCC via CCASS, you agree that your application or the application made by HKSCC Nominees cannot be revoked on your behalf on or before Friday, 27 July 2012.

This agreement will take effect as a collateral contract with our Company, and will become binding when you lodge your Application Form or apply online through the **HK eIPO White Form** service or submit your **electronic application instructions** to HKSCC via CCASS and an application has been made by HKSCC Nominees on your behalf accordingly. This collateral contract will be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person on or before Friday, 27 July 2012 except by means of one of the procedures referred to in this prospectus.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before Friday, 27 July 2012, if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicants have not been so notified, or if applicants have been so notified but have not withdrawn their applications in accordance with the procedure(s) to be notified, all applications that have been submitted will remain valid and may be accepted. Subject to the above, an application once made, is irrevocable and applicants shall be deemed to have applied on the basis of this prospectus as supplemented.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. Acceptance of application which are not rejected will be constituted by notification in the announcement 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 satisfaction of such conditions or the results of such ballot, respectively.

Full discretion of our Company or our agents to reject or accept your application

Our Company and our agents have full discretion to reject or accept any application, or to accept only part of an application, and do not have to give any reason for any rejection or acceptance.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND RESERVED SHARES

If your application is rejected

Your application will be rejected if:

- it is a multiple application or a suspected multiple application; or
- your Application Form is not completed correctly in accordance with the instructions printed thereon (if you apply by an Application Form); or
- your payment is not made correctly; or
- you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonoured on its first presentation; or
- our Company or any of our agents believes that by accepting your application, our Company would violate the applicable laws, rules or regulations of the jurisdiction in which your application is, or is suspected to have been, completed and/or signed or of any other jurisdiction; or
- your application is for more than 100% of the Public Offer Shares initially offered for subscription under the Public Offer.

If your application is not accepted

Your application (including the part of an application made by HKSCC Nominees acting upon **electronic application instructions**) will not be accepted if either:

- the Underwriting Agreement does not become unconditional; or
- the Underwriting Agreement is terminated in accordance with its terms and conditions.

If the allotment of Public Offer Shares is void

Any allotment of the Public Offer Shares to you or to HKSCC Nominees (if you give **electronic application instructions to HKSCC** or apply by a **YELLOW** Application Form) will be void if the Listing Committee does not grant the approval of the listing of, and permission to deal in, the Shares either:

- within three weeks from the closing of the application lists; or
- within a longer period of up to six weeks if the Listing Committee of the Stock Exchange notifies our Company of that longer period within three weeks of the closing of the application lists.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND RESERVED SHARES

II. HOW TO APPLY FOR THE RESERVED SHARES

WHO CAN APPLY FOR THE RESERVED SHARES

CC Land Qualifying Shareholders are entitled to apply on the basis of an Assured Entitlement of one Reserved Share for every whole multiple of 300 CC Land Shares held by them as at the close of business on the Record Date.

You may apply for the Reserved Shares if you or any person(s) for whose benefit you are applying are a CC Land Qualifying Shareholder, are an individual, and:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States and will be acquiring the Reserved Shares in an offshore transaction (as defined in Regulation S); and
- are not a US person (as defined in Regulation S).

Save under the circumstances permitted by the Listing Rules, you **cannot** apply for any Reserved Shares if you are or any person(s) for whose benefit you are applying is/are:

- an existing beneficial owner of the Shares;
- the chief executive or a director of our Company or any of its subsidiaries;
- an associate of any of the above; or
- a connected person (as defined in Chapter 1 of the Listing Rules) of our Company or a person who will become a connected person (as defined in Chapter 1 of the Listing Rules) of our Company immediately upon completion of the Share Offer.

If the applicant is a firm, the application must be in the names of the individual members, not the firm's name. If the applicant is a body corporate, the application must be stamped with the company chop (bearing the company name) and signed by a duly authorised officer, who must state his or her representative capacity.

If an application is made by a person duly authorised under a valid power of attorney, our Company and the Sole Lead Manager or their respective agents or nominees may accept it at their discretion, and subject to any conditions they think fit, including production of evidence of the authority of the attorney.

METHOD OF APPLYING FOR THE RESERVED SHARES

An application for Reserved Shares under the Preferential Offer may only be made by CC Land Qualifying Shareholders using a **BLUE** Application Form which is being despatched to CC Land Qualifying Shareholders by our Company. Using the **BLUE** Application Form, CC Land Qualifying Shareholders may apply on an assured basis for a number of Reserved Shares less than or equal to their Assured Entitlement, which will be specified on their individual **BLUE** Application Form. CC Land Qualifying Shareholders may also apply for a number of Reserved Shares in excess of their Assured Entitlement specified on their individual **BLUE** Application Form.

A valid application for a number of Reserved Shares equal to or less than a CC Land Qualifying Shareholder's Assured Entitlement will be accepted in full, subject to the terms and conditions set forth on the **BLUE** Application Form, assuming that the conditions of the Preferential Offer are satisfied.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND RESERVED SHARES

If an application is made for a number of Reserved Shares greater than the Assured Entitlement of a CC Land Qualifying Shareholder, the Assured Entitlement will be satisfied in full, subject as mentioned above, but the excess portion of such application will only be met to the extent that there are sufficient available Reserved Shares resulting from other CC Land Qualifying Shareholders with an Assured Entitlement declining to take up all or some of their Assured Entitlements. The Sole Lead Manager will allocate any Reserved Shares not taken up by the CC Land Qualifying Shareholders on a fair and reasonable basis and may give preference to topping up odd lots to whole board lots. The CC Land Qualifying Shareholders should note that our Board will regard any nominee (include HKSCC Nominees) as a single shareholder according to the register of members of our Company. Accordingly, the CC Land Qualifying Shareholders should note that the aforesaid arrangement in relation to the allocation of excess Reserved Shares on the basis of the top-up arrangement will not be extended to beneficial owners individually.

If an application is made for a number of Reserved Shares less than the Assured Entitlement of a CC Land Qualifying Shareholder, the applicant is recommended to apply for a number in one of the numbers of full board lots stated in the table of number of multiples and payments on the back page of the **BLUE** Application Form which also states the amount of remittance payable on application for each multiple of full board lots of Reserved Shares. If such applicant does not follow this recommendation when applying for less than the Assured Entitlement, he/she/it must calculate the correct amount of remittance payable on application for the number of Reserved Shares applied for by using the formula set out below the table of multiples and payments on the back page of the **BLUE** Application Form. Any application not accompanied by the correct amount of application monies will be treated as invalid in its entirety and no Reserved Share will be allotted to such applicant. The Sole Lead Manager will allocate any Assured Entitlements not taken up by CC Land Qualifying Shareholders to the Public Offer.

CC Land Qualifying Shareholders who have applied for Reserved Shares under the Preferential Offer on a **BLUE** Application Form, as beneficial owner, may also make one application either on a **WHITE** or **YELLOW** Application Form, or by means of the **HK eIPO White Form** service, or by giving **electronic application instructions** to HKSCC via CCASS (if you are a CCASS Investor Participant or act through a CCASS Clearing Participant or CCASS Custodian Participant) for the Public Offer Shares in the Public Offer. However, CC Land Qualifying Shareholders will receive no preference as to entitlement or allocation in respect of applications for Public Offer Shares made on **WHITE** or **YELLOW** Application Forms or by means of the **HK eIPO White Form** service or by giving **electronic application instructions** to HKSCC under the Public Offer.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND RESERVED SHARES

DESPATCH OF THE PROSPECTUS AND BLUE APPLICATION FORMS

A **BLUE** Application Form, together with a copy of this prospectus, are being despatched to you by our Company if you are a CC Land Qualifying Shareholder with an Assured Entitlement to your address recorded on CC Land's register of members as at the close of business on the Record Date. Persons who held their CC Land Shares as at the close of business on the Record Date in CCASS indirectly through a broker or custodian, and wish to participate in the Preferential Offer, should instruct their broker or custodian to apply for the Reserved Shares on their behalves no later than the deadline set by HKSCC or HKSCC Nominees. In order to meet the deadline set by HKSCC or HKSCC Nominees, such persons should check with their broker/custodian for the timing on the processing of their instructions, and submit their instructions to their broker/custodian as required by them. Persons who held their CC Land Shares as at the close of business on the Record Date in CCASS directly as a CCASS Investor Participant, and wish to participate in the Preferential Offer, should give their instructions to HKSCC via the CCASS Phone System or CCASS Internet System no later than the deadline set by HKSCC or HKSCC Nominees. CC Land Qualifying Shareholders who require a replacement **BLUE** Application Form should contact Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong or at its hotline 2980 1333.

HOW TO APPLY BY USING A BLUE APPLICATION FORM

- (a) Complete the **BLUE** Application Form in English in ink, and sign it. There are detailed instructions on each **BLUE** Application Form. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected and returned by ordinary post together with the accompanying cheque(s) or banker's cashier order(s) to you (or the first-named applicant in the case of joint applicants) at your own risk at the address stated in the **BLUE** Application Form.
- (b) Each **BLUE** Application Form must be accompanied by payment, in the form of either one cheque or one banker's cashier order. You should read the detailed instructions set out on the Application Form carefully, as an application is liable to be rejected if the cheque or banker's cashier order does not meet the requirements set out on the **BLUE** Application Form.
- (c) Lodge the **BLUE** Application Form in the collection box by the time and the location as described in the paragraph headed "II. How to apply for the Reserved Shares — When may applications be made" in this section.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND RESERVED SHARES

WHEN MAY APPLICATIONS BE MADE

(a) Applications on BLUE Application Forms

Your completed **BLUE** Application Form, together with payment attached, should be lodged in the special box at the office of Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong at the following times:

Thursday 28 June 2012 — 9:00 a.m. to 4:30 p.m.
Friday, 29 June 2012 — 9:00 a.m. to 4:30 p.m.
Saturday, 30 June 2012 — 9:00 a.m. to 1:00 p.m.
Tuesday, 3 July 2012 — 9:00 a.m. to 4:30 p.m.
Wednesday, 4 July 2012 — 9:00 a.m. to 12:00 noon

Completed **BLUE** Application Forms, together with payment attached, must be lodged by 12:00 noon on Wednesday, 4 July 2012, or, if the application lists are not open on that day, then by the time and date stated in the sub-paragraph headed (c) Effect of bad weather conditions on the opening of the application lists" below.

(b) Application lists

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, 4 July 2012, save as provided in the sub-paragraph headed "(c) Effect of bad weather conditions on the opening of the application lists" below.

Applicants should note that cheques or banker's cashier orders will not be presented for payment before the closing of the application lists but may be presented at any time thereafter.

(c) Effect of bad weather conditions 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 signal,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 4 July 2012.

Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those signals in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

HOW MANY APPLICATIONS MAY BE MADE

You should see the paragraph headed "I. How to apply for the Public Offer Shares — How many applications may be made" in this section for the situations where you may make more than one application for the Offer Shares.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND RESERVED SHARES

III. HOW MUCH ARE THE PUBLIC OFFER SHARES AND RESERVED SHARES

The Offer Price is HK\$1.59 per Offer Share. You must also pay brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%. This means that for every board lot of 2,000 Offer Shares, you will pay HK\$3,212.06. Each Application Form has a table showing the exact amount payable for certain multiples of the Offer Shares. You must pay the Offer Price, the brokerage, the Stock Exchange trading fee and the SFC transaction levy in full when you apply for the Offer Shares.

Your payment must be made by one cheque or one banker's cashier order and must comply with the terms of the related Application Forms (if you apply by an Application Form). Any Application not accompanied by the correct amount of application monies will be treated as invalid in its entirety and no Public Offer Shares and/or Reserved Shares will be allotted to such applicant.

Your cheque or banker's cashier order will not be presented for payment before 12:00 noon on Wednesday, 4 July 2012. If your application is successful, the brokerage is paid to participants of the Stock Exchange, the transaction levy is paid to the Stock Exchange collecting on behalf of the SFC, and the trading fee is paid to the Stock Exchange.

Our Company will not issue temporary documents of title, evidence of title or receipt for payment.

IV. PUBLICATION OF RESULTS

Our Company expects to announce the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares and the Reserved Shares on or before Wednesday, 11 July 2012 in South China Morning Post (in English) and Sing Tao Daily (in Chinese) and on our Company's website at www.qualipakhk.com and the website of the Stock Exchange at www.hkexnews.hk.

Results of allocations and the Hong Kong identity card/passport/Hong Kong business registration certificate numbers of successful applicants (where supplied) under the Public Offer and the Preferential Offer will be made available at the times and dates and in the manner specified below:

- on the website of Tricor Secretaries Limited at www.tricor.com.hk/ipo/result on a 24-hour basis from 8:00 a.m. on Wednesday, 11 July 2012 to 12:00 midnight on Tuesday, 17 July 2012. The user will be required to key in the Hong Kong identity card/passport/Hong Kong business registration certificate number provided in his/her/its Application Form to search for his/her/its own allocation result;
- on our Company's website at www.qualipakhk.com and the website of the Stock Exchange at www.hkexnews.hk on Wednesday, 11 July 2012 onwards;
- from our Company's Public Offer allocation results telephone enquiry hotline. Applicants may find out whether or not their applications have been successful and the number of Offer Shares allocated to them, if any, by calling 3691 8488 between 9:00 a.m. and 6:00 p.m. from Wednesday, 11 July 2012 to Monday, 16 July 2012 (excluding Saturday, Sunday and public holidays); and

HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND RESERVED SHARES

- special allocation results booklets setting out the results of allocations will be available for inspection during opening hours of individual branches and sub-branches of the receiving bank from Wednesday, 11 July 2012 to Friday, 13 July 2012 at the addresses set out in the paragraph headed “Where to collect the Application Forms” above.

V. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND OF APPLICATION MONEY

No temporary documents of title will be issued in respect of the Offer Shares. No receipt will be issued for sums paid on application. However, your cheque or banker’s cashier order will not be presented for payment before 12:00 noon on Wednesday, 4 July 2012. Our Company will keep any interest accrued on your application monies (up till, in the case of monies to be refunded, the date of despatch of refund cheque).

Any certificate relating to the Offer Shares issued by our Company or deposited into CCASS prior to 8:00 a.m. on the Listing Date will only become valid certificate of title at 8:00 a.m. on the Listing Date if the Public Offer has become unconditional in all aspects and the Underwriting Agreements have not been terminated in accordance with its terms on or before 8:00 a.m. on the Listing Date.

Your application money, or an appropriate portion thereof, together with the related brokerage fee, Stock Exchange trading fee and the SFC transaction levy, will be refunded, without interest if:

- your application is rejected, not accepted or only accepted in part;
- the conditions of the Share Offer are not fulfilled in accordance with the section headed “Structure and conditions of the Share Offer” in this prospectus;
- any application is revoked or any allocation pursuant thereto has become void; or
- any of the reasons set forth under “Circumstances in which you will not be allotted the Public Offer Shares”.

It is intended that special efforts will be made to avoid any undue delay in refunding application money where appropriate.

If you applied through the **HK eIPO White Form** service and paid the application monies from a single bank account, refund monies (where applicable) will be despatched to your application payment bank account in the form of e-Auto Refund payment instructions on Wednesday, 11 July 2012. If you apply through **HK eIPO White Form** service and paid the application monies from multiple bank accounts, refund monies (where applicable) in the form of refund cheque(s) will be despatched on Wednesday, 11 July 2012 by ordinary post at your own risk.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND RESERVED SHARES

If you have given **electronic application instructions**, your refund (if any) will be credited to your designated bank account or the designated bank account of the designated CCASS Participant through which you are applying on Wednesday, 11 July 2012. If you have instructed your designated CCASS Participant (other than CCASS Investor Participant) to give **electronic application instructions** on your behalf, you can check the amount of refund (if any) payable to you with that designated CCASS Participant. If you have applied as CCASS Investor Participant, you can check the amount of refund (if any) payable to you via the CCASS Phone System and CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Wednesday, 11 July 2012 or in the activity statement showing the amount of refund money credited to your designated bank account made available to you by HKSCC immediately after the credit of refund money to your bank account.

You will receive one share certificate for all the Offer Shares issued to you (except pursuant to applications made on **YELLOW** Application Forms or by giving **electronic application instructions** to HKSCC where the share certificate will be deposited into CCASS as described below under "Deposit of share certificates into CCASS" below).

Subject to the provisions mentioned below, in due course there will be sent to you by ordinary post, at your own risk to the address specified on your Application Form:

- for applicants on **WHITE** or **BLUE** Application Forms or applying online through the **HK eIPO White Form** service: (i) share certificate for all the Offer Shares applied for, if your application is wholly successful; or (ii) share certificate for the number of Offer Shares successfully applied for, if your application is partially successful; and/or
- for applicants on **WHITE** or **YELLOW** or **BLUE** Application Forms, a refund cheque crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for: (i) the excess application money for the Offer Shares unsuccessfully applied for, if the application is partially unsuccessful; or (ii) all the application money, if the application is wholly unsuccessful, in each case including related brokerage of 1%, the Stock Exchange trading fee of 0.005% and the transaction levy of 0.003% imposed by the SFC, without interest. Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purpose. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of the refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of or may invalidate your refund cheque.

In a contingency situation involving a very high level of over-subscription, at the discretion of our Company and the Sole Lead Manager, applications for certain small denominations of the Offer Shares may be eliminated in a pre-balloting. In such circumstances, the cheques or banker's cashier orders accompanying such applications on the Application Forms will not be presented for clearing.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND RESERVED SHARES

Subject as mentioned below, refund cheques (if any) under **WHITE** or **YELLOW** or **BLUE** Application Forms and share certificates for successful applicants under **WHITE** or **BLUE** Application Forms or through the **HK eIPO White Form** service are expected to be despatched on Wednesday, 11 July 2012. We reserve the right to retain any share certificates and any excessive application money pending clearance of cheque(s) or banker's cashier order(s).

If you have applied for 1,000,000 Offer Shares or more on a **WHITE** or **YELLOW** or **BLUE** Application Form and have indicated your intention on your Application Form to collect your refund cheque (where applicable) and/or (for applicants using **WHITE** or **BLUE** Application Forms) share certificate (where applicable) from our Company's Hong Kong branch share registrar and transfer office, Tricor Secretaries Limited, and have provided all information required by your Application Form, you may collect (where applicable) your refund cheque and/or (where applicable) share certificate from our Company's Hong Kong branch share registrar and transfer office, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong on Wednesday, 11 July 2012 from 9:00 a.m. to 1:00 p.m. or any other date notified by us in the newspapers as the date of despatch of share certificates/refund cheques.

If you are an individual who opts for collection in person, you must not authorise any other person to make collection on your behalf. If you are a corporate applicant which opts for collection in person, the authorised representative bearing a letter of authorisation from the corporation stamped with the corporation's chop must be presented for collection. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Company's Hong Kong branch share registrar and transfer office. If you do not collect your share certificate and/or refund cheque during the above period, they will be despatched promptly to you by ordinary post to the address as specified in your Application Form at your own risk.

If you have applied for less than 1,000,000 Offer Shares or if you have applied for 1,000,000 Offer Shares or more on a **WHITE** or **YELLOW** or **BLUE** Application Form but have not indicated in your Application Form that you wish to collect your share certificate (where applicable) and/or refund cheque in person, the share certificate and/or refund cheque (if applicable) will be sent to the address as stated on your Application Form on Wednesday, 11 July 2012 or any other date notified by us in the newspapers as the date of despatch of share certificates/refund cheques by ordinary post and at your own risk.

Deposit of share certificates into CCASS

If you apply for the Public Offer Shares using a **YELLOW** Application Form or by giving **electronic application instructions** via CCASS, and your application is wholly or partially successful, your share certificate will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant's stock account or the stock account of your designated CCASS Participant as instructed by you on Wednesday, 11 July 2012, or under contingent situation, on any other date as shall be determined by HKSCC or HKSCC Nominees.

If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of the Public Offer Shares allotted to you with that CCASS Participant.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND RESERVED SHARES

We expect to publish the application results of CCASS Investor Participants using **YELLOW Application Form** and the application results of CCASS Participants applying by giving **electronic application instructions** (and where the CCASS Participant is a broker or custodian, we shall include information relating to the beneficial owner, the Hong Kong identity card numbers, passport numbers or other identification code (Hong Kong business registration certificate number for corporations), if supplied) on Wednesday, 11 July 2012. You should check the announcement published by us and report any discrepancies to HKSCC on or before 5:00 p.m. on Wednesday, 11 July 2012 or such other date as shall be determined by HKSCC or HKSCC Nominees. Applicants applying as a CCASS Investor Participant can also check the result of application via the CCASS Phone System and CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

If you are applying as a CCASS Investor Participant, you can check your new account balance via the CCASS Phone System and CCASS Internet System immediately after the credit of the Public Offer Shares to your stock account. HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your stock account.

VI. COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence on Thursday, 12 July 2012. Shares will be traded in board lots of 2,000 Shares.

VII. SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the approval of the listing of, and permission to deal in, the Shares on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS. Investors should seek the advice of their stockbrokers or other professional advisers for details of the settlement arrangements, as such arrangements will affect their rights and interests.

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, receiving from the reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong.



22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

28 June 2012

The Directors
Qualipak International Holdings Limited
Haitong International Capital Limited

Dear Sirs,

We set out below our report on the financial information of Qualipak International Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) comprising the combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for each of the years ended 31 December 2009, 2010 and 2011 (the “Relevant Periods”), and the combined statements of financial position of the Group as at 31 December 2009, 2010 and 2011, and the statement of financial position of the Company as at 31 December 2011, together with the notes thereto (the “Financial Information”), prepared on the basis of presentation set out in note 2.1 of Section II below, for inclusion in the prospectus of the Company dated 28 June 2012 (the “Prospectus”) in connection with the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company was incorporated in Bermuda as a company with limited liability on 24 October 2011. Pursuant to a group reorganisation (the “Reorganisation”) as set out in note 2.1 of Section II below, which was completed on 15 May 2012, the Company became the holding company of the other subsidiaries comprising the Group. Apart from the Reorganisation, the Company has not commenced any business or operation since its incorporation.

As at the date of this report, no statutory financial statements have been prepared for the Company, as it is not subject to statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

As at the end of the Relevant Periods, the Company has direct and indirect interests in the subsidiaries as set out in note 1 of Section II below. All companies now comprising the Group have adopted 31 December as their financial year end date. The statutory financial statements of the companies now comprising the Group were prepared in accordance with the relevant accounting principles applicable to these companies in the countries in which they were incorporated and/or established. Details of their statutory auditors during the Relevant Periods are set out in note 1 of Section II below.

For the purpose of this report, the directors of the Company (the “Directors”) have prepared the combined financial statements of the Group (the “Underlying Financial Statements”) in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The Underlying Financial Statements for each of the years ended 31 December 2009, 2010 and 2011 were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

DIRECTORS' RESPONSIBILITY

The Directors are responsible for the preparation of the Underlying Financial Statements and the Financial Information that give a true and fair view in accordance with HKFRSs, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements and the Financial Information that are free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

It is our responsibility to form an independent opinion on the Financial Information and to report our opinion thereon to you.

For the purpose of this report, we have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the HKICPA.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION

In our opinion, for the purpose of this report and on the basis of presentation set out in note 2.1 of Section II below, the Financial Information gives a true and fair view of the state of affairs of the Group as at 31 December 2009, 2010 and 2011, and the state of affairs of the Company as at 31 December 2011, and of the combined results and cash flows of the Group for each of the Relevant Periods.

I. FINANCIAL INFORMATION

(A) COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	<i>Notes</i>	Year ended 31 December		
		2009 <i>HK\$ '000</i>	2010 <i>HK\$ '000</i>	2011 <i>HK\$ '000</i>
REVENUE	7	294,671	391,052	418,660
Cost of sales		<u>(237,883)</u>	<u>(315,720)</u>	<u>(332,735)</u>
Gross profit		56,788	75,332	85,925
Other income and gains	7	2,309	1,408	3,564
Selling and distribution costs		(12,612)	(14,668)	(14,969)
Administrative expenses		(24,113)	(24,976)	(27,913)
Other expenses		481	(939)	294
Share of profits and losses of associates		<u>(1,004)</u>	<u>(638)</u>	<u>(480)</u>
PROFIT BEFORE TAX	8	21,849	35,519	46,421
Income tax expense	11	<u>(2,724)</u>	<u>(4,091)</u>	<u>(4,931)</u>
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>19,125</u>	<u>31,428</u>	<u>41,490</u>
Attributable to:				
Owners of the Company		16,442	27,378	37,828
Non-controlling interests		<u>2,683</u>	<u>4,050</u>	<u>3,662</u>
		<u>19,125</u>	<u>31,428</u>	<u>41,490</u>

I. FINANCIAL INFORMATION (Continued)

(B) COMBINED STATEMENTS OF FINANCIAL POSITION

		31 December		
	<i>Notes</i>	2009 <i>HK\$'000</i>	2010 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
NON-CURRENT ASSETS				
Property, plant and equipment	<i>14</i>	135,214	131,291	124,843
Prepaid land lease payments	<i>15</i>	14,546	14,144	13,742
Investments in associates	<i>16</i>	1,743	1,105	625
		<u>151,503</u>	<u>146,540</u>	<u>139,210</u>
TOTAL non-current assets				
CURRENT ASSETS				
Prepaid land lease payments	<i>15</i>	402	402	402
Inventories	<i>17</i>	34,868	43,079	39,007
Trade and bills receivables	<i>18</i>	38,193	52,770	45,916
Prepayments, deposits and other receivables	<i>19</i>	3,270	3,996	4,600
Cash and cash equivalents	<i>20</i>	55,288	65,335	59,798
		<u>132,021</u>	<u>165,582</u>	<u>149,723</u>
TOTAL current assets				
CURRENT LIABILITIES				
Trade and bills payables	<i>21</i>	33,752	46,283	38,329
Other payables and accruals	<i>22</i>	26,275	34,617	29,783
Due to the immediate holding company	<i>23</i>	121,541	100,763	52,409
Tax payable		345	1,328	901
		<u>181,913</u>	<u>182,991</u>	<u>121,422</u>
TOTAL current liabilities				
NET CURRENT ASSETS/ (LIABILITIES)				
		<u>(49,892)</u>	<u>(17,409)</u>	<u>28,301</u>
TOTAL ASSETS LESS CURRENT LIABILITIES				
		<u>101,611</u>	<u>129,131</u>	<u>167,511</u>
NON-CURRENT LIABILITIES				
Deferred tax liabilities	<i>24</i>	1,083	1,095	1,017
		<u>1,083</u>	<u>1,095</u>	<u>1,017</u>
Net assets				
		<u><u>100,528</u></u>	<u><u>128,036</u></u>	<u><u>166,494</u></u>

I. FINANCIAL INFORMATION *(Continued)*(B) COMBINED STATEMENTS OF FINANCIAL POSITION *(Continued)*

		31 December		
		2009	2010	2011
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
EQUITY				
Equity attributable to owners of the Company				
Issued capital	25	—	—	—
Reserves	26(a)	98,433	125,811	164,037
		98,433	125,811	164,037
Non-controlling interests		2,095	2,225	2,457
Total equity		<u>100,528</u>	<u>128,036</u>	<u>166,494</u>

I. FINANCIAL INFORMATION (Continued)

(C) COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company						Non-controlling interests	Total equity
	Issued capital	Special reserve	Capital reserve	Merger reserve	Retained profits	Total		
Note	HK\$'000	HK\$'000 Note (a)	HK\$'000 Note (b)	HK\$'000 Note (c)	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2009	—	(556)	2,231	78	80,178	81,931	3,332	85,263
Profit and total comprehensive income for the year	—	—	—	—	16,442	16,442	2,683	19,125
Dividend paid to a non-controlling shareholder	—	—	—	—	—	—	(3,920)	(3,920)
Equity-settled share option arrangements	28	—	60	—	—	60	—	60
At 31 December 2009 and 1 January 2010	—	(556)*	2,291*	78*	96,620*	98,433	2,095	100,528
Profit and total comprehensive income for the year	—	—	—	—	27,378	27,378	4,050	31,428
Dividend paid to a non-controlling shareholder	—	—	—	—	—	—	(3,920)	(3,920)
At 31 December 2010 and 1 January 2011	—	(556)*	2,291*	78*	123,998*	125,811	2,225	128,036
Profit and total comprehensive income for the year	—	—	—	—	37,828	37,828	3,662	41,490
Disposal of carved-out subsidiaries	—	398	—	—	—	398	—	398
Dividend paid to a non-controlling shareholder	—	—	—	—	—	—	(3,430)	(3,430)
At 31 December 2011	—	(158)*	2,291*	78*	161,826*	164,037	2,457	166,494

* These reserve accounts comprise the combined reserves of HK\$98,433,000, HK\$125,811,000 and HK\$164,037,000 in the combined statements of financial position as at 31 December 2009, 2010 and 2011, respectively.

Notes:

- (a) Special reserve represents the payments made by the Group on behalf of the companies which had been carved out from the Group and treated as deemed distributions from the Group's perspective pursuant to the Reorganisation as set out in note 2.1 of Section II below.
- (b) Capital reserve represents the deemed contribution from the Company's immediate holding company with respect to share options granted by the Company's immediate holding company.
- (c) Merger reserve of the Group represents the reserve arose pursuant to the Reorganisation which is accounted for as the Reorganisation under common control.

I. FINANCIAL INFORMATION (Continued)

(D) COMBINED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December		
		2009 HK\$'000	2010 HK\$'000	2011 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		21,849	35,519	46,421
Adjustments for:				
Impairment/(write-back of impairment) of trade receivables	8	(541)	617	(294)
Bank interest income	7	(24)	(18)	(26)
Other interest income	7	—	(5)	(890)
Depreciation	8	6,750	6,499	5,834
Amortisation of prepaid land lease payments	8	402	402	402
Share of profits and losses of associates		1,004	638	480
Gain on disposal of items of property, plant and equipment	7	(52)	(29)	(56)
Equity-settled share option expense	8	60	—	—
Allowance/(write-back of allowance) for obsolete inventories	8	719	(36)	(1,538)
		30,167	43,587	50,333
Decrease/(increase) in inventories		10,722	(8,175)	5,610
Decrease/(increase) in trade, bills and other receivables, prepayments and deposits		14,730	(15,920)	6,544
Increase/(decrease) in trade, bills and other payables and accruals		530	20,873	(12,788)
Cash generated from operations		56,149	40,365	49,699
Interest received		24	23	916
Hong Kong profits tax paid		(2,493)	(3,096)	(5,436)
Net cash flows from operating activities		53,680	37,292	45,179

I. FINANCIAL INFORMATION (Continued)

(D) COMBINED STATEMENTS OF CASH FLOWS (Continued)

	Notes	Year ended 31 December		
		2009 HK\$'000	2010 HK\$'000	2011 HK\$'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of items of property, plant and equipment	14	(462)	(2,605)	(159)
Proceeds from disposal of items of property, plant and equipment		52	58	829
Payment on deferred consideration on acquisition of a subsidiary		(2,000)	—	—
Net cash flows from/(used in) investing activities		(2,410)	(2,547)	670
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividend paid to a non-controlling shareholder		(3,920)	(3,920)	(3,430)
Decrease in an amount due to the immediate holding company		(73,040)	(20,778)	(47,956)
Net cash flows used in financing activities		(76,960)	(24,698)	(51,386)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS				
Cash and cash equivalents at beginning of year		80,978	55,288	65,335
CASH AND CASH EQUIVALENTS AT END OF YEAR				
		55,288	65,335	59,798
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and bank balances	20	49,568	65,335	59,798
Non-pledged time deposits with original maturity of less than three months when acquired	20	5,720	—	—
		55,288	65,335	59,798

I. FINANCIAL INFORMATION *(Continued)*

(E) STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	<i>Notes</i>	31 December 2011 HK\$'000
CURRENT ASSETS		
Prepayments	<i>19</i>	<u>530</u>
CURRENT LIABILITY		
Due to the immediate holding company	<i>23</i>	<u>577</u>
Net liabilities		<u><u>(47)</u></u>
DEFICIENCY IN ASSETS		
Issued capital	<i>25</i>	—
Accumulated losses	<i>26(b)</i>	<u>(47)</u>
Total deficiency in assets		<u><u>(47)</u></u>

II. NOTES TO FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Qualipak International Holdings Limited (the “Company”) is a limited liability company incorporated in Bermuda. The registered office of the Company is Clarendon House, 2 Church Street, Hamilton, HM11, Bermuda. The principal place of business of the Company is located at 7th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong.

The Company is an investment holding company. During the Relevant Periods, the Company’s subsidiaries were engaged in the manufacture and sale of watch boxes, jewellery boxes, eyewear cases, bags and pouches and display units.

In the opinion of the directors, the holding company and the ultimate holding company of the Company is C C Land Holdings Limited, a company incorporated in Bermuda and listed on the Stock Exchange.

The Company and its subsidiaries now comprising the Group underwent the Reorganisation as set out in paragraph headed “Reorganisation” in the section headed “History, Development and Corporate Reorganisation” to the Prospectus.

As at the end of the Relevant Periods, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Company name	Place and date of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Big Focus Limited <i>(Note (a))</i>	British Virgin Islands 13 November 1996	Ordinary US\$1	—	100	Investment holding
Empire New Assets Limited <i>(Note (a))</i>	British Virgin Islands/ Hong Kong 18 April 2005	Ordinary US\$100	—	100	Property holding
King Place Investments Limited <i>(Note (a))</i>	British Virgin Islands/ Hong Kong 22 June 2006	Ordinary US\$100	—	100	Property holding
Onestep Enterprises Limited <i>(Note (a))</i>	British Virgin Islands 28 April 2005	Ordinary US\$100	—	100	Investment holding
Permate Production Inc. <i>(Note (a))</i>	British Virgin Islands/ Mainland China 13 June 1991	Ordinary US\$20	—	100	Property holding
Qualipak Development Limited <i>(Note (a))</i>	British Virgin Islands 23 September 1997	Ordinary US\$10,000	100	—	Investment holding
Qualipak Fortune Inc. <i>(Note (a))</i>	British Virgin Islands 10 May 2000	Ordinary US\$10,000	—	100	Dormant
Qualipak Manufacturing Limited <i>(Note (b))</i>	Hong Kong 24 January 1989	Ordinary HK\$100 Non-voting deferred HK\$22,303,857 <i>(Note (e))</i>	—	100	Manufacture and sale of watch boxes, jewellery boxes, eyewear cases, bags and pouches and display units

II. NOTES TO FINANCIAL INFORMATION *(Continued)*1. CORPORATE INFORMATION *(Continued)*

Company name	Place and date of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Qualipak Manufacturing (China) Limited <i>(Note (a))</i>	British Virgin Islands/ Mainland China 11 April 1994	Ordinary US\$1	—	100	Holding a vehicle
Qualipak Packaging (Zhongshan) Company Limited <i>(Note (c))</i>	People's Republic of China (the "PRC") 7 September 1998	Registered and paid up capital HK\$16,000,000	—	100	Dormant
Qualipak Nominees Limited <i>(Note (a))</i>	British Virgin Islands 24 November 1999	Ordinary US\$1	—	100	Provision of nominee services
Qualipak Production Inc. <i>(Note (a))</i>	British Virgin Islands/ Mainland China 3 June 1991	Ordinary US\$10,000	—	100	Property holding
Theme Production House Limited <i>(Note (d))</i>	Hong Kong 10 September 2001	Ordinary HK\$1,000,000	—	51	Trading of display units
Winning Hand Management Limited <i>(Note (a))</i>	British Virgin Islands/ Mainland China 12 March 1997	Ordinary US\$1	—	100	Property holding
Wisdom Way Limited <i>(Note (f))</i>	Hong Kong 1 December 1994	Ordinary HK\$2	—	100	Property holding

Notes:

- (a) No audited financial statements have been prepared for these entities for the years ended 31 December 2009, 2010 and 2011 as the entities were not subject to any statutory audit requirements under the relevant rules and regulations in their jurisdictions of incorporation.
- (b) The statutory financial statements of this entity for the years ended 31 December 2009, 2010 and 2011 prepared under Hong Kong Financial Reporting Standards ("HKFRSs") were audited by Ernst & Young, Hong Kong.
- (c) Qualipak Packaging (Zhongshan) Company Limited is registered as a wholly-owned foreign enterprise under the PRC Law. The statutory financial statements for the years ended 31 December 2009, 2010 and 2011, prepared under PRC Generally Accepted Accounting Principles, were audited by 中山市永信財務事務所有限公司, certified public accountants registered in the PRC.
- (d) The statutory financial statements of this entity for the years ended 31 December 2009, 2010 and 2011 prepared under HKFRSs were audited by Moore Stephens Hong Kong, certified public accountants registered in Hong Kong.
- (e) The non-voting deferred shares carry restricted rights on the distribution of profits, capital and voting.
- (f) The statutory financial statements of this entity for the years ended 31 December 2009, 2010 and 2011 prepared under HKFRSs were audited by FTO CPA Limited, certified public accountants registered in Hong Kong.

II. NOTES TO FINANCIAL INFORMATION *(Continued)***2.1 BASIS OF PRESENTATION**

Pursuant to the Reorganisation as more fully explained in the paragraph headed “Reorganisation” in the section headed “History, Development and Corporate Reorganisation” to the Prospectus, the Company became the holding company of the companies now comprising the Group on 15 May 2012. The companies now comprising the Group were under common control of the controlling shareholder before and after the Reorganisation. Accordingly, for the purpose of this report, the Financial Information has been prepared on a combined basis by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Relevant Periods in accordance with the Accounting Guidance 5 *Merger Accounting for Common Control Combinations* issued by the HKICPA.

The financial information of businesses and operations historically not associated with the principal activities of the Group has not been included in the Financial Information throughout the Relevant Periods as such businesses and operations are distinct and identifiable businesses, which operated autonomously and were not transferred to the Group pursuant to the Reorganisation.

The combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for the Relevant Periods include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries and/or businesses first came under the common control of the controlling shareholder, where this is a shorter period. The combined statements of financial position of the Group as at 31 December 2009, 2010 and 2011 have been prepared to present the assets and liabilities of the subsidiaries and/or businesses using the existing book values from the controlling shareholder’s perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

Equity interests in subsidiaries and/or businesses held by parties other than the controlling shareholder prior to the Reorganisation are presented as non-controlling interests in equity in applying the principles of merger accounting.

All intra-group transactions and balances have been eliminated on combination.

2.2 BASIS OF PREPARATION

The Financial Information has been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 January 2011, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Financial Information throughout the Relevant Periods.

The Financial Information has been prepared under the historical cost convention, except for a derivative financial instrument which has been measured at fair value, and is presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

II. NOTES TO FINANCIAL INFORMATION (Continued)

3. ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Financial Information.

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i> ¹
HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards — Government Loans</i> ⁴
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures — Transfers of Financial Assets</i> ¹
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities</i> ⁴
HKFRS 9	<i>Financial Instruments</i> ⁶
HKFRS 10	<i>Consolidated Financial Statements</i> ⁴
HKFRS 11	<i>Joint Arrangements</i> ⁴
HKFRS 12	<i>Disclosure of Interests in Other Entities</i> ⁴
HKFRS 13	<i>Fair Value Measurement</i> ⁴
HKAS 1 Amendments	Amendments to HKAS 1 <i>Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income</i> ³
HKAS 12 Amendments	Amendments to HKAS 12 <i>Income Taxes — Deferred Tax: Recovery of Underlying Assets</i> ²
HKAS 19 (2011)	<i>Employee Benefits</i> ⁴
HKAS 27 (2011)	<i>Separate Financial Statements</i> ⁴
HKAS 28 (2011)	<i>Investments in Associates and Joint Ventures</i> ⁴
HKAS 32 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities</i> ⁵
HK (IFRIC) – Int 20	<i>Stripping Costs in the Production Phase of a Surface Mine</i> ⁴
<i>Annual Improvements Projects</i>	<i>Annual Improvements 2009-2011 Cycle</i> ⁴

¹ Effective for annual periods beginning on or after 1 July 2011

² Effective for annual periods beginning on or after 1 January 2012

³ Effective for annual periods beginning on or after 1 July 2012

⁴ Effective for annual periods beginning on or after 1 January 2013

⁵ Effective for annual periods beginning on or after 1 January 2014

⁶ Effective for annual periods beginning on or after 1 January 2015

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it is expected that the adoption of the new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operation and financial position.

II. NOTES TO FINANCIAL INFORMATION *(Continued)***4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****Basis of combination**

This Financial Information includes the financial statements of the Company and its subsidiaries for the Relevant Periods. As explained in note 2 above, the acquisition of subsidiaries and business under common control has been accounted for using merger accounting.

The merger accounting involves incorporating the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party. No amount is recognised in respect of goodwill or the excess of the acquirers' interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over the cost of investment at the time of common control combination.

The acquisition of subsidiaries other than those under common control has been accounted for using the purchase method of accounting.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are combined from the date of acquisition, being the date on which the Group obtains control, and continue to be combined until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on combination in full.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Non-controlling interests represent the equity interests in a subsidiary held by parties other than the controlling shareholder. Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

II. NOTES TO FINANCIAL INFORMATION *(Continued)***4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***Associates** *(Continued)*

The Group's investments in associates are stated in the combined statements of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of associates is included in the combined statements of comprehensive income and combined reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates and is not individually tested for impairment. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The results of associates are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in associates are treated as non-current assets and are stated at cost less any impairment losses.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the entity that is preparing its financial statements ("reporting entity") if:

- (a) the party is a person or a close member of that person's family and that person:
 - (i) has control or joint control over the reporting entity;
 - (ii) has significant influence over the reporting entity; or
 - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity;

or

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties *(Continued)*

- (b) the party is an entity where any of the following conditions applies:
- (i) the entity and the reporting entity are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the reporting entity are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a); and
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on a straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Land and buildings	2% to 5% or over the unexpired terms of the leases, if less than 50 years
Leasehold improvements	20% or over the unexpired terms of the leases, if less than 5 years
Electricity supply system	10%
Furniture, fixtures and equipment	10% to 20%
Motor vehicles	20% to 25%
Plant and machinery	10%
Moulds	15%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

II. NOTES TO FINANCIAL INFORMATION *(Continued)***4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***Property, plant and equipment and depreciation** *(Continued)*

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on a straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on a straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on a straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Investments and other financial assets***Initial recognition and measurement***

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include cash and cash equivalents, trade and bills receivables and deposits and other receivables.

II. NOTES TO FINANCIAL INFORMATION *(Continued)***4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***Investments and other financial assets** *(Continued)***Subsequent measurement**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in interest income in the statement of comprehensive income. The loss arising from impairment is recognised in the statement of comprehensive income in finance costs for loans and in other expenses for receivables.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group’s continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred “loss event”) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

II. NOTES TO FINANCIAL INFORMATION *(Continued)***4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***Impairment of financial assets** *(Continued)*

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to other expenses in the statement of comprehensive income.

Financial liabilities***Initial recognition and measurement***

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables and accruals and an amount due to the immediate holding company.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

II. NOTES TO FINANCIAL INFORMATION *(Continued)***4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***Derivative financial instrument**

The Group uses a derivative financial instrument, being forward currency contract, to manage its foreign currency risk. Such derivative financial instrument is initially recognised at fair value on the date on which a derivative contract is entered into and is subsequently remeasured at fair value. The derivative financial instrument is carried as an asset when the fair value is positive and as a liability when the fair value is negative.

Any gains or losses arising from changes in fair value of the derivative financial instrument are taken directly to profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the combined statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of each reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of comprehensive income.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

II. NOTES TO FINANCIAL INFORMATION *(Continued)***4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***Income tax** *(Continued)*

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and
- (c) rental income, on a time proportion basis over the lease terms.

II. NOTES TO FINANCIAL INFORMATION *(Continued)***4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***Share-based payment transactions**

The Company's immediate holding company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Employee benefits***Pension schemes***

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to 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. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiary which operates in Mainland China are required to participate in central pension scheme operated by the local municipal government. This subsidiary is required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

II. NOTES TO FINANCIAL INFORMATION *(Continued)***4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***Foreign currencies**

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of each reporting period. All differences arising on settlement or translation of monetary items are taken to profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on retranslation of non-monetary item is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation differences on item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of each reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Financial Information:

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

II. NOTES TO FINANCIAL INFORMATION *(Continued)***5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES** *(Continued)***Estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision for obsolete and slow-moving inventories

The Group has a general provision policy on inventories based on ageing. The Group's sales and marketing managers review the inventory ageing listing on a periodical basis for those aged inventories. This involves a comparison of the carrying values of aged inventory items with their respective net realisable values. The purpose is to ascertain whether allowance is required to be made in the financial statements for any obsolete and slow-moving items. In addition, physical counts on all inventories are carried out on a periodical basis in order to determine whether allowance needs to be made in respect of any obsolete and defective inventories identified.

Impairment loss on trade and other receivables

In determining whether impairment loss on trade and other receivable is required, the Group takes into consideration the ageing status and the likelihood of collection. Following the identification of doubtful debts, the Group's responsible personnel discusses with the relevant customers and reports to management on the recoverability. Impairment loss is only made for receivables that are unlikely to be collected.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Details of the amount of unrecognised tax losses are set out in note 24 to the Financial Information.

II. NOTES TO FINANCIAL INFORMATION (Continued)

6. SEGMENT INFORMATION

For management purposes, the Group has only one operating segment which is the manufacture and sale of watch boxes, jewellery boxes, eyewear cases, bags and pouches and display units. Since this is the only operating segment of the Group, no further operating segment analysis thereof is presented.

Revenue from external customers based on the location of these customers is analysed as follows:

	Year ended 31 December		
	2009	2010	2011
	HK\$ '000	HK\$ '000	HK\$ '000
Europe	145,710	172,690	154,850
Hong Kong	89,354	131,330	145,461
North and South America	41,709	64,272	83,539
Others	17,898	22,760	34,810
	<u>294,671</u>	<u>391,052</u>	<u>418,660</u>

The geographical locations of the Group's non-current assets are analysed as follows:

	31 December		
	2009	2010	2011
	HK\$ '000	HK\$ '000	HK\$ '000
Hong Kong	76,421	75,042	72,094
Mainland China	75,082	71,498	67,116
	<u>151,503</u>	<u>146,540</u>	<u>139,210</u>

The non-current asset information above is based on the location of assets.

Information about major customers

Revenue from each major customer, including sales to a group of entities which are known to be under common control of that customer, which accounted for 10% or more of the Group's revenue for each of the Relevant Periods, is set out below:

	Year ended 31 December		
	2009	2010	2011
	HK\$ '000	HK\$ '000	HK\$ '000
Customer A	42,621	78,066	81,700
Customer B	34,890	45,430	*
	<u>34,890</u>	<u>45,430</u>	<u>*</u>

* Less than 10% of revenue

The revenue from customer A and customer B was in respect to the sale of watch boxes, jewellery boxes, eyewear cases, bags and pouches, and display units, respectively.

II. NOTES TO FINANCIAL INFORMATION (Continued)

7. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the aggregate of the net invoiced value of goods sold, after allowances for returns and trade discounts.

An analysis of the Group's other income and gains is as follows:

	Year ended 31 December		
	2009 HK\$ '000	2010 HK\$ '000	2011 HK\$ '000
Bank interest income	24	18	26
Other interest income	—	5	890
Sale of scrap materials	786	728	910
Gain on disposal of items of property, plant and equipment	52	29	56
Gross rental income	513	513	492
Exchange gains, net	485	—	380
Fair value gain on a derivative financial instrument	—	—	708
Others	449	115	102
	<u>2,309</u>	<u>1,408</u>	<u>3,564</u>

8. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	Year ended 31 December		
		2009 HK\$ '000	2010 HK\$ '000	2011 HK\$ '000
Cost of inventories sold		237,164	315,756	334,273
Allowance/(write-back of allowance) for obsolete inventories		719	(36)	(1,538)
Depreciation	14	6,750	6,499	5,834
Minimum lease payments under operating leases in respect of land and buildings		1,476	1,599	921
Amortisation of prepaid land lease payments	15	402	402	402
Auditors' remuneration		407	446	530
Employee benefit expense (including directors' remuneration (note 9)):				
Wages and salaries		76,644	93,934	94,364
Equity-settled share option expense		60	—	—
Pension scheme contributions		889	2,256	3,455
		<u>77,593</u>	<u>96,190</u>	<u>97,819</u>
Gross rental income		(513)	(513)	(492)
Direct operating expenses (including repairs and maintenance) arising on rental-earning properties		198	192	177
Net rental income		<u>(315)</u>	<u>(321)</u>	<u>(315)</u>
Foreign exchange differences, net		(485)	322	(380)
Impairment/(write-back of impairment) of trade receivables*	18	<u>(541)</u>	<u>617</u>	<u>(294)</u>

* Impairment/(write-back of impairment) of trade receivables is included in "Other expenses" in the combined statements of comprehensive income during the Relevant Periods.

II. NOTES TO FINANCIAL INFORMATION (Continued)

9. DIRECTORS' REMUNERATION

Directors' remuneration for the Relevant Periods, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group Year ended 31 December		
	2009 HK\$ '000	2010 HK\$ '000	2011 HK\$ '000
Fees	—	—	—
Other emoluments:			
Salaries, allowances and benefits in kind	1,560	1,690	1,794
Performance related bonuses	1,800	1,300	1,360
Equity-settled share option expense	—	—	—
Pension scheme contributions	72	78	83
	<u>3,432</u>	<u>3,068</u>	<u>3,237</u>

(a) Non-executive directors and independent non-executive directors

The Group did not have any non-executive directors and independent non-executive directors at any time during the Relevant Periods.

Subsequent to the end of the Relevant Periods, Dr. Lam How Mun Peter and Mr. Leung Wai Fai were appointed as non-executive directors of the Company on 19 June 2012 and Mr. Chan Sze Hung, Mr. Tam Kwok Fai Paul and Dr. Leung Wai Keung were appointed as independent non-executive directors of the Company on 19 June 2012.

(b) Executive directors

Notes	Fees HK\$ '000	Salaries, allowances and benefits in kind	Performance related bonuses	Equity- settled share option expense	Pension scheme contributions	Total remuneration
		HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
Year ended 31 December 2009						
	—	—	—	—	—	—
Mr. Lam Hiu Lo	—	—	—	—	—	—
Dr. Lam How Mun Peter (i)	—	—	1,500	—	—	1,500
Mr. Leung Chun Cheong	—	—	—	—	—	—
Ms. Poon Ho Yee Agnes (ii)	—	1,560	300	—	72	1,932
	—	<u>1,560</u>	<u>1,800</u>	<u>—</u>	<u>72</u>	<u>3,432</u>

II. NOTES TO FINANCIAL INFORMATION (Continued)

9. DIRECTORS' REMUNERATION (Continued)

(b) Executive directors (Continued)

	Notes	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Performance related bonuses HK\$'000	Equity- settled share option expense HK\$'000	Pension scheme contributions HK\$'000	Total remuneration HK\$'000
Year ended 31 December 2010							
Mr. Lam Hiu Lo		—	—	—	—	—	—
Dr. Lam How Mun Peter	(i)	—	—	1,000	—	—	1,000
Mr. Leung Chun Cheong		—	—	—	—	—	—
Ms. Poon Ho Yee Agnes	(ii)	—	1,690	300	—	78	2,068
		—	1,690	1,300	—	78	3,068

	Notes	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Performance related bonuses HK\$'000	Equity- settled share option expense HK\$'000	Pension scheme contributions HK\$'000	Total remuneration HK\$'000
Year ended 31 December 2011							
Mr. Lam Hiu Lo		—	—	—	—	—	—
Dr. Lam How Mun Peter	(i)	—	—	1,000	—	—	1,000
Mr. Leung Chun Cheong		—	—	—	—	—	—
Ms. Poon Ho Yee Agnes	(ii)	—	1,794	360	—	83	2,237
		—	1,794	1,360	—	83	3,237

(i) Dr. Lam How Mun Peter concentrated on strategic planning and overall management of the Group during the Relevant Periods. Subsequent to the end of the Relevant Periods, he is not involved in day-to-day business operations of the Group and was appointed as non-executive director as disclosed in note (a) above.

(ii) The director's emoluments were paid by way of a management fee to the immediate holding company and the amounts included therein are for the services of the director during the Relevant Periods.

Mr. Leung Chun Cheong and Ms. Poon Ho Yee Agnes were appointed as directors of the Company on 28 November 2011, and subsequent to the end of the Relevant Periods, they were re-designated as executive directors on 18 May 2012.

Subsequent to the end of the Relevant Periods, Mr. Lam Hiu Lo and Mr. Wu Hong Cho were appointed as executive directors of the Company on 18 May 2012.

II. NOTES TO FINANCIAL INFORMATION (Continued)

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the years ended 31 December 2009, 2010 and 2011 included 2 directors, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining non-director, highest paid employees during the Relevant Periods are as follows:

	Group		
	Year ended 31 December		
	2009	2010	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries, allowances and benefits in kind	2,254	2,392	2,313
Performance related bonuses	93	93	153
Pension scheme contributions	104	110	91
	<u>2,451</u>	<u>2,595</u>	<u>2,557</u>

The number of non-director, highest paid employees whose remuneration fell within the following band is as follows:

	Number of individuals		
	Year ended 31 December		
	2009	2010	2011
Nil to HK\$1,000,000	<u>3</u>	<u>3</u>	<u>3</u>

During the Relevant Periods, no remuneration was paid by the Group to the directors or any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office. None of the persons, who were directors, waived or agreed to waive any emoluments during the Relevant Periods.

11. INCOME TAX

Pursuant to the rules and regulations of Bermuda and the British Virgin Islands, the Group is not subject to any income tax in Bermuda and the British Virgin Islands.

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for each of the Relevant Periods. The Group's PRC subsidiary has been dormant and had no assessable profit since its date of incorporation.

	Year ended 31 December		
	2009	2010	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Group:			
Current — Hong Kong			
Charge for the year	2,807	4,111	5,008
Underprovision/(overprovision) in prior years	17	(32)	1
Deferred (<i>note 24</i>)	(100)	12	(78)
	<u>2,724</u>	<u>4,091</u>	<u>4,931</u>
Total tax charge for the year	<u>2,724</u>	<u>4,091</u>	<u>4,931</u>

II. NOTES TO FINANCIAL INFORMATION (Continued)**11. INCOME TAX (Continued)**

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the countries/jurisdictions in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

	Group		
	Year ended 31 December		
	2009	2010	2011
	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Profit before tax	21,849	35,519	46,421
Tax at the statutory tax rate	3,605	5,861	7,660
Tax effect of not subject to Hong Kong profits tax under 50:50 arrangement under DIPN21	(1,613)	(2,304)	(3,314)
Adjustments in respect of			
current tax of previous periods	17	(32)	1
Profits and losses attributable to associates	166	105	79
Income not subject to tax	(108)	(11)	(51)
Expenses not deductible for tax	591	443	500
Tax losses utilised from previous periods	(4)	(3)	(4)
Tax losses not recognised	2	—	2
Others	68	32	58
Tax charge at the Group's effective tax rate	2,724	4,091	4,931

12. DIVIDEND

No dividend has been paid or declared by the Company since its incorporation.

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the number of shares as at the end of each reporting period will be different from the number of shares immediately after the completion of the distribution, the capitalisation issue and the share offer as more fully explained in the section headed "Share Capital" in the Prospectus.

II. NOTES TO FINANCIAL INFORMATION (Continued)

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Land and buildings <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Electricity supply system <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Moulds <i>HK\$'000</i>	Total <i>HK\$'000</i>
31 December 2009								
At 1 January 2009:								
Cost	144,154	6,013	2,729	16,375	2,950	28,479	11,406	212,106
Accumulated depreciation	(16,791)	(4,978)	(2,022)	(12,393)	(2,459)	(22,750)	(9,211)	(70,604)
Net carrying amount	<u>127,363</u>	<u>1,035</u>	<u>707</u>	<u>3,982</u>	<u>491</u>	<u>5,729</u>	<u>2,195</u>	<u>141,502</u>
At 1 January 2009, net of accumulated depreciation	127,363	1,035	707	3,982	491	5,729	2,195	141,502
Additions	—	—	—	8	—	244	210	462
Depreciation provided during the year	(3,022)	(444)	(273)	(841)	(249)	(1,138)	(783)	(6,750)
At 31 December 2009, net of accumulated depreciation	<u>124,341</u>	<u>591</u>	<u>434</u>	<u>3,149</u>	<u>242</u>	<u>4,835</u>	<u>1,622</u>	<u>135,214</u>
At 31 December 2009:								
Cost	144,154	6,013	2,729	14,356	2,950	24,411	11,616	206,229
Accumulated depreciation	(19,813)	(5,422)	(2,295)	(11,207)	(2,708)	(19,576)	(9,994)	(71,015)
Net carrying amount	<u>124,341</u>	<u>591</u>	<u>434</u>	<u>3,149</u>	<u>242</u>	<u>4,835</u>	<u>1,622</u>	<u>135,214</u>

II. NOTES TO FINANCIAL INFORMATION (Continued)

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group

	Land and buildings <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Electricity supply system <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Moulds <i>HK\$'000</i>	Total <i>HK\$'000</i>
31 December 2010								
At 1 January 2010:								
Cost	144,154	6,013	2,729	14,356	2,950	24,411	11,616	206,229
Accumulated depreciation	(19,813)	(5,422)	(2,295)	(11,207)	(2,708)	(19,576)	(9,994)	(71,015)
Net carrying amount	<u>124,341</u>	<u>591</u>	<u>434</u>	<u>3,149</u>	<u>242</u>	<u>4,835</u>	<u>1,622</u>	<u>135,214</u>
At 1 January 2010, net of accumulated depreciation	124,341	591	434	3,149	242	4,835	1,622	135,214
Additions	—	—	—	252	1,561	524	268	2,605
Disposals	—	—	—	(29)	—	—	—	(29)
Depreciation provided during the year	<u>(3,022)</u>	<u>(356)</u>	<u>(272)</u>	<u>(767)</u>	<u>(352)</u>	<u>(1,100)</u>	<u>(630)</u>	<u>(6,499)</u>
At 31 December 2010, net of accumulated depreciation	<u>121,319</u>	<u>235</u>	<u>162</u>	<u>2,605</u>	<u>1,451</u>	<u>4,259</u>	<u>1,260</u>	<u>131,291</u>
At 31 December 2010:								
Cost	144,154	6,013	2,729	12,967	4,511	22,928	9,264	202,566
Accumulated depreciation	(22,835)	(5,778)	(2,567)	(10,362)	(3,060)	(18,669)	(8,004)	(71,275)
Net carrying amount	<u>121,319</u>	<u>235</u>	<u>162</u>	<u>2,605</u>	<u>1,451</u>	<u>4,259</u>	<u>1,260</u>	<u>131,291</u>

II. NOTES TO FINANCIAL INFORMATION (Continued)

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group

	Land and buildings <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Electricity supply system <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Moulds <i>HK\$'000</i>	Total <i>HK\$'000</i>
31 December 2011								
At 1 January 2011:								
Cost	144,154	6,013	2,729	12,967	4,511	22,928	9,264	202,566
Accumulated depreciation	(22,835)	(5,778)	(2,567)	(10,362)	(3,060)	(18,669)	(8,004)	(71,275)
Net carrying amount	<u>121,319</u>	<u>235</u>	<u>162</u>	<u>2,605</u>	<u>1,451</u>	<u>4,259</u>	<u>1,260</u>	<u>131,291</u>
At 1 January 2011, net of accumulated depreciation	121,319	235	162	2,605	1,451	4,259	1,260	131,291
Additions	—	55	—	40	—	53	11	159
Disposals	—	—	—	(119)	—	(390)	(264)	(773)
Depreciation provided during the year	(3,022)	(169)	(160)	(662)	(442)	(976)	(403)	(5,834)
At 31 December 2011, net of accumulated depreciation	<u>118,297</u>	<u>121</u>	<u>2</u>	<u>1,864</u>	<u>1,009</u>	<u>2,946</u>	<u>604</u>	<u>124,843</u>
At 31 December 2011:								
Cost	144,154	3,193	2,729	12,313	2,975	20,102	8,202	193,668
Accumulated depreciation	(25,857)	(3,072)	(2,727)	(10,449)	(1,966)	(17,156)	(7,598)	(68,825)
Net carrying amount	<u>118,297</u>	<u>121</u>	<u>2</u>	<u>1,864</u>	<u>1,009</u>	<u>2,946</u>	<u>604</u>	<u>124,843</u>

II. NOTES TO FINANCIAL INFORMATION (Continued)

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

The carrying value of land and buildings shown above comprises:

	2009 <i>HK\$ '000</i>	Group 31 December 2010 <i>HK\$ '000</i>	2011 <i>HK\$ '000</i>
Land and buildings situated in Hong Kong:			
Long term leases	66,042	64,608	63,175
Medium term leases	5,749	5,592	5,434
	<u>71,791</u>	<u>70,200</u>	<u>68,609</u>
Buildings situated in Mainland China:			
Medium term leases	52,550	51,119	49,688
	<u>124,341</u>	<u>121,319</u>	<u>118,297</u>

Certain of the Group's land and buildings were pledged to a bank to secure banking facilities granted to the Group (note 27).

15. PREPAID LAND LEASE PAYMENTS

	2009 <i>HK\$ '000</i>	Group 31 December 2010 <i>HK\$ '000</i>	2011 <i>HK\$ '000</i>
Carrying amount at 1 January	15,350	14,948	14,546
Recognised during the year	<u>(402)</u>	<u>(402)</u>	<u>(402)</u>
Carrying amount at 31 December	14,948	14,546	14,144
Current portion	<u>(402)</u>	<u>(402)</u>	<u>(402)</u>
Non-current portion	<u>14,546</u>	<u>14,144</u>	<u>13,742</u>

The Group's leasehold land is situated in Mainland China and is held under a medium term lease.

II. NOTES TO FINANCIAL INFORMATION (Continued)

16. INVESTMENTS IN ASSOCIATES

	2009 <i>HK\$'000</i>	Group 31 December 2010 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Share of net assets	1,743	1,105	625
Goodwill on acquisition	<u>31,438</u>	<u>31,438</u>	<u>31,438</u>
	33,181	32,543	32,063
Provision for impairment	<u>(31,438)</u>	<u>(31,438)</u>	<u>(31,438)</u>
	<u><u>1,743</u></u>	<u><u>1,105</u></u>	<u><u>625</u></u>

The goodwill arising from the acquisition of associates is set out below:

	2009 <i>HK\$'000</i>	31 December 2010 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
At 1 January and 31 December:			
Cost	31,438	31,438	31,438
Accumulated impairment	<u>(31,438)</u>	<u>(31,438)</u>	<u>(31,438)</u>
Net carrying amount	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>—</u></u>

II. NOTES TO FINANCIAL INFORMATION (Continued)

16. INVESTMENTS IN ASSOCIATES (Continued)

Particulars of the associates are as follows:

Company name	Place of incorporation/ registration	Particulars of issued share held	Percentage of ownership interest attributable to the Group as at 31 December			Principal activities
			2009	2010	2011	
Technical International Holdings Limited	British Virgin Islands	Ordinary shares of US\$1 each	30	30	30	Investment holding
T Plus Limited	Hong Kong	Ordinary shares of HK\$1 each	30	30	30	Design, trading of wine openers, knives and kitchenware
Technical Development (HK) Limited	Hong Kong	Ordinary shares of HK\$1 each	30	30	30	Design, trading of wine openers, knives and kitchenware
Technical (HK) Manufacturing Limited	Hong Kong	Ordinary shares of HK\$1 each	30	30	30	Design, trading of wine openers, knives and kitchenware

All the above associates are held by wholly-owned subsidiaries of the Company and were audited by Deloitte Touche Tohmatsu, certified public accountants registered in Hong Kong. They have been accounted for using the equity method in this Financial Information.

The Group's shareholdings in the associates all comprise equity shares held through a wholly-owned subsidiary of the Company.

The financial year of the Group's associates is coterminous with that of the Group.

The Group's associates have been accounted for using the equity method in this Financial Information.

The following table illustrates the summarised financial information of the Group's associates extracted from their management accounts or financial statements:

	31 December		
	2009 HK\$ '000	2010 HK\$ '000	2011 HK\$ '000
Assets	32,695	34,406	34,576
Liabilities	(26,886)	(30,722)	(32,494)
Revenue	106,865	124,499	100,395
Loss	(3,348)	(2,125)	(1,600)

II. NOTES TO FINANCIAL INFORMATION (Continued)

17. INVENTORIES

	2009	Group 31 December 2010	2011
	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Raw materials	12,700	12,532	12,936
Work in progress	9,775	13,881	11,758
Finished goods	12,393	16,666	14,313
	<u>34,868</u>	<u>43,079</u>	<u>39,007</u>

18. TRADE AND BILLS RECEIVABLES

	2009	Group 31 December 2010	2011
	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Trade and bills receivables	38,626	53,820	46,664
Impairment	(433)	(1,050)	(748)
	<u>38,193</u>	<u>52,770</u>	<u>45,916</u>

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period generally ranges from 30 to 60 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade and bills receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade and bills receivables are non-interest-bearing.

II. NOTES TO FINANCIAL INFORMATION (Continued)

18. TRADE AND BILLS RECEIVABLES (Continued)

An aged analysis of the trade and bills receivables as at the end of each reporting period, based on the due date and net of provisions, is as follows:

Group

	31 December 2009		
	Neither past due nor impaired <i>HK\$ '000</i>	Past due but not impaired <i>HK\$ '000</i>	Total <i>HK\$ '000</i>
Less than 1 month	27,460	7,679	35,139
1 to 2 months	—	895	895
2 to 3 months	—	1,612	1,612
Over 3 months	—	547	547
	<u>27,460</u>	<u>10,733</u>	<u>38,193</u>
	31 December 2010		
	Neither past due nor impaired <i>HK\$ '000</i>	Past due but not impaired <i>HK\$ '000</i>	Total <i>HK\$ '000</i>
Less than 1 month	32,918	11,848	44,766
1 to 2 months	—	2,459	2,459
2 to 3 months	—	3,196	3,196
Over 3 months	—	2,349	2,349
	<u>32,918</u>	<u>19,852</u>	<u>52,770</u>
	31 December 2011		
	Neither past due nor impaired <i>HK\$ '000</i>	Past due but not impaired <i>HK\$ '000</i>	Total <i>HK\$ '000</i>
Less than 1 month	27,677	11,374	39,051
1 to 2 months	—	3,476	3,476
2 to 3 months	—	883	883
Over 3 months	—	2,506	2,506
	<u>27,677</u>	<u>18,239</u>	<u>45,916</u>

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

II. NOTES TO FINANCIAL INFORMATION (Continued)

18. TRADE AND BILLS RECEIVABLES (Continued)

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

The movements in provision for impairment of trade receivables for each of the Relevant Periods are as follows:

	2009	Group 31 December 2010	2011
	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>
At the beginning of the year	1,697	433	1,050
Impairment losses recognised	150	659	387
Impairment losses reversed	(691)	(42)	(681)
Amount written off as uncollectible	(723)	—	(8)
	<u>433</u>	<u>1,050</u>	<u>748</u>
At the end of the year	<u>433</u>	<u>1,050</u>	<u>748</u>

Included in the above provision for impairment of trade receivables are provisions for individually impaired trade receivables of HK\$433,000, HK\$1,050,000 and HK\$748,000 with carrying amounts before provision of HK\$606,000, HK\$1,256,000 and HK\$748,000, as at 31 December 2009, 2010 and 2011, respectively.

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2009	Group 31 December 2010	2011	Company 31 December 2011
	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Prepayments	853	782	1,492	530
Deposits	1,304	1,736	2,968	—
Other receivables	1,113	1,478	140	—
	<u>3,270</u>	<u>3,996</u>	<u>4,600</u>	<u>530</u>
	<u>3,270</u>	<u>3,996</u>	<u>4,600</u>	<u>530</u>

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

II. NOTES TO FINANCIAL INFORMATION (Continued)

20. CASH AND CASH EQUIVALENTS

	2009	Group 31 December 2010	2011
	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Cash and bank balances	49,568	65,335	59,798
Time deposits	5,720	—	—
Cash and cash equivalents	<u>55,288</u>	<u>65,335</u>	<u>59,798</u>

As at 31 December 2009, 2010 and 2011, the cash and bank balances of the Group denominated in Renminbi (“RMB”) amounted to HK\$5,241,000, HK\$6,897,000 and HK\$6,074,000, respectively. The RMB is not freely convertible into other currencies, however, under Mainland China’s Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximate to their fair values.

21. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the end of each reporting period, based on the invoice date, is as follows:

	2009	Group 31 December 2010	2011
	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Within 1 month	24,114	31,578	28,466
1 to 2 months	2,592	8,504	8,997
2 to 3 months	4,100	3,744	456
Over 3 months	2,946	2,457	410
	<u>33,752</u>	<u>46,283</u>	<u>38,329</u>

The trade and bills payables are non-interest-bearing and are normally settled on terms of 30 to 60 days.

II. NOTES TO FINANCIAL INFORMATION (Continued)

22. OTHER PAYABLES AND ACCRUALS

	2009	Group 31 December 2010	2011
	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Deposits received	12,257	21,539	17,912
Other payables	1,841	648	316
Accruals	12,177	12,430	11,555
	<u>26,275</u>	<u>34,617</u>	<u>29,783</u>

Other payables are non-interest-bearing and are normally settled within three months.

23. DUE TO THE IMMEDIATE HOLDING COMPANY

The amount due to the immediate holding company is unsecured, interest-free and has no fixed terms of repayments.

24. DEFERRED TAX LIABILITIES

The movements in deferred tax liabilities during the Relevant Periods are as follows:

Group

	Depreciation allowance in excess of related depreciation
	<i>HK\$ '000</i>
At 1 January 2009	1,183
Deferred tax credited to profit or loss of the combined statement of comprehensive income during the year (note 11)	<u>(100)</u>
At 31 December 2009 and 1 January 2010	1,083
Deferred tax charged to profit or loss of the combined statement of comprehensive income during the year (note 11)	<u>12</u>
At 31 December 2010 and 1 January 2011	1,095
Deferred tax credited to profit or loss of the combined statement of comprehensive income during the year (note 11)	<u>(78)</u>
At 31 December 2011	<u>1,017</u>

II. NOTES TO FINANCIAL INFORMATION *(Continued)***24. DEFERRED TAX LIABILITIES** *(Continued)*

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by a subsidiary established in Mainland China in respect of earnings generated from 1 January 2008.

As at 31 December 2009, 2010 and 2011, no deferred tax has been recognised for withholding taxes as the Group's subsidiary established in Mainland China has been dormant and loss-making for some time.

The Group had tax losses arising in Hong Kong of HK\$1,442,000, HK\$1,423,000 and HK\$1,409,000 as at 31 December 2009, 2010 and 2011, respectively, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

25. SHARE CAPITAL

The Company was incorporated as an exempted company with limited liability in Bermuda on 24 October 2011 with an initial authorised share capital of HK\$50,000 divided into 500,000 shares of a par value of HK\$0.10 each. On the date of incorporation, one ordinary share of HK\$0.10 was allotted and issued by the Company.

26. RESERVES**(a) Group**

The amounts of the Group's reserves and the movements therein for each of the Relevant Periods are presented in the combined statements of changes in equity on page I-6.

(b) Company

	Accumulated losses HK\$'000
At the date of incorporation	—
Loss and total comprehensive loss for the year	(47)
At 31 December 2011	<u>(47)</u>

27. PLEDGE OF ASSETS

As at 31 December 2009, 2010 and 2011, the Group pledged certain of its land and buildings with aggregate carrying amounts of HK\$5,749,000, HK\$5,592,000 and HK\$5,434,000, respectively, as securities for general banking facilities granted to the Group.

The Company did not pledge any of its assets as at 31 December 2011.

II. NOTES TO FINANCIAL INFORMATION (Continued)

28. SHARE OPTION SCHEME

The Company's immediate holding company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the employees of the Group. The Scheme became effective on 29 April 2005 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

Options granted under the Scheme are normally exercisable within ten years from the date of grant with a vesting period ranging up to three years from the date of grant. Movements in the numbers of share options granted to the Group outstanding and their related average exercise prices during the Relevant Periods are as follows:

	2009		2010		2011	
	Weighted average exercise price HK\$	Number of share options	Weighted average exercise price HK\$	Number of share options	Weighted average exercise price HK\$	Number of share options
At 1 January and 31 December	4.99	850,000	4.99	850,000	4.99	850,000

Share option expense amounted to HK\$60,000 for the year ended 31 December 2009 was charged to profit or loss. No share option expense was recognised by the Group during the years ended 31 December 2010 and 2011.

29. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its properties (note 14 to the Financial Information) under operating lease arrangement, with a lease negotiated for a term of one year. The term of the lease generally also requires the tenants to pay security deposits and provides for periodic rent adjustments according to the then prevailing market conditions.

At the end of each reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group 31 December		
	2009 HK\$ '000	2010 HK\$ '000	2011 HK\$ '000
Within one year	385	385	321

II. NOTES TO FINANCIAL INFORMATION (Continued)

29. OPERATING LEASE ARRANGEMENTS (Continued)

(b) As lessee

The Group leases certain of its manufacturing plants and car parks under operating lease arrangements. The leases for the manufacturing plants and car parks are negotiated for terms ranging from one to five years.

At the end of each reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2009	Group 31 December 2010	2011
	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Within one year	304	854	177
In the second to fifth years, inclusive	—	171	—
	<u>304</u>	<u>1,025</u>	<u>177</u>

30. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions disclosed elsewhere in the Financial Information, the Group had the following significant transactions with related parties during the Relevant Periods:

		2009	Group Year ended 31 December 2010	2011
	<i>Notes</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Recurring:				
Rental income earned from the immediate holding company	<i>(i)</i>	428	428	428
Rental income earned from an entity under common control of the immediate holding company	<i>(i)</i>	85	85	64
Non-recurring:				
Management fee paid to the immediate holding company	<i>(ii)</i>	2,328	2,328	2,412
Interest income from an entity under common control of the immediate holding company	<i>(iii)</i>	—	—	890

(i) The rental income received from the immediate holding company and an entity under common control of the immediate holding company was mutually agreed between the Company and the related parties.

(ii) The management fee paid to the immediate holding company for the share of certain costs, including director's remuneration, staff welfare and miscellaneous costs, was mutually agreed between the Company and the immediate holding company.

Details of the amount of the director's remuneration paid by way of a management fee are set out in note 9 to the Financial Information.

(iii) Interest was charged by the Group at 10% per annum.

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

30. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Other transactions with related parties

As at 31 December 2009, 2010 and 2011, the immediate holding company has guaranteed certain bank facilities made to the Group of up to HK\$20,000,000, HK\$20,000,000 and HK\$32,000,000, respectively.

(c) Commitments with related parties

On 30 September 2011, a subsidiary of the Group entered into a one-year agreement ending 30 September 2012 with the immediate holding company to lease office premises in Hong Kong. The amounts of rental income for each of the Relevant Periods are included in note 30(a)(ii) to the Financial Information. The amount of an operating lease commitment as a lessor is included in note 29(a) to the Financial Information.

(d) Outstanding balances with related parties

Other than balances with related parties and the amount due to the immediate holding company as disclosed in note 23 to the Financial Information, the Group had no outstanding balances with related parties as at the end of each reporting period.

(e) Compensation of key management personnel of the Group

	2009 <i>HK\$ '000</i>	2010 <i>HK\$ '000</i>	2011 <i>HK\$ '000</i>
Short term employee benefits	3,432	3,068	3,237
Equity-settled share option expense	—	—	—
Total compensation paid to key management personnel	<u>3,432</u>	<u>3,068</u>	<u>3,237</u>

Further details of directors' emoluments are included in note 9 to the Financial Information.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments include cash and cash equivalents, trade and bills receivables, deposits and other receivables, an amount due to the immediate holding company, trade and bills payables and other payables and accruals. Details of the major financial instruments and the Group's relevant accounting policies are disclosed in note 4.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Foreign currency risk

The Group has currency exposure as the majority of its sales from packaging products were denominated in US\$, which are pegged to HK\$. On the other hand, the expenses or expenditures incurred in the operations of manufacturing plants were denominated in RMB, which expose the Group to foreign currency risk.

The RMB is not a freely convertible currency. Future exchange rates of the RMB could vary significantly from the current or historical exchange rates as a result of controls that could be imposed by the PRC government. The exchange rates may also be affected by economic developments and political changes domestically and internationally, and the demand and supply of the RMB. The appreciation or devaluation of RMB against HK\$ and US\$ may have impact on the operating results of the Group.

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Foreign currency risk *(Continued)*

There are limited hedging instruments available to the Group to reduce the Group's exposure to exchange rate fluctuations between RMB and other currencies. To date, the Group has entered into a cross currency swap with a bank in an effort to reduce the Group's exposure to foreign currency exchange risk. The Group may decide to enter into hedging transactions in the future and management monitors the foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The following table demonstrates the sensitivity to a reasonably possible change in RMB exchange rate, with all other variables held constant, of the Group's profit before tax.

	Increase/ (decrease) in RMB rate %	Increase/ (decrease) in profit before tax HK\$ '000
2009		
If HK\$ weakens against RMB	7%	(17)
If HK\$ strengthens against RMB	(7%)	17
2010		
If HK\$ weakens against RMB	7%	(74)
If HK\$ strengthens against RMB	(7%)	74
2011		
If HK\$ weakens against RMB	7%	(91)
If HK\$ strengthens against RMB	(7%)	91

Credit risk

The Group trades only with recognised and creditworthy customers. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, trade and other receivable balances are monitored on an ongoing basis to ensure that follow-up action is taken to recover overdue debts and the Group's exposure to bad debts is not significant. The Group's maximum exposures to credit risk are the carrying amounts of trade and bills receivables and other receivables as disclosed in notes 18 and 19, respectively. In addition, the Group reviews the recoverable amount of each individual trade debtor at the end of each reporting period to ensure that adequate impairment losses have been made for irrecoverable amounts.

II. NOTES TO FINANCIAL INFORMATION (Continued)

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents and have available funding through an adequate amount of committed credit facilities to meet its commitments and other business operations.

The maturity profile of the Group's financial liabilities as at the end of each reporting period, based on the contractual undiscounted payments, was as follows:

Group

	On demand <i>HK\$ '000</i>	Less than 3 months <i>HK\$ '000</i>	Total <i>HK\$ '000</i>
At 31 December 2009			
Trade and bills payables	—	33,752	33,752
Other payables and accruals	—	14,018	14,018
Due to the immediate holding company	121,541	—	121,541
	<u>121,541</u>	<u>47,770</u>	<u>169,311</u>
	On demand <i>HK\$ '000</i>	Less than 3 months <i>HK\$ '000</i>	Total <i>HK\$ '000</i>
At 31 December 2010			
Trade and bills payables	—	46,283	46,283
Other payables and accruals	—	13,078	13,078
Due to the immediate holding company	100,763	—	100,763
	<u>100,763</u>	<u>59,361</u>	<u>160,124</u>
	On demand <i>HK\$ '000</i>	Less than 3 months <i>HK\$ '000</i>	Total <i>HK\$ '000</i>
At 31 December 2011			
Trade and bills payables	—	38,329	38,329
Other payables and accruals	—	11,871	11,871
Due to the immediate holding company	52,409	—	52,409
	<u>52,409</u>	<u>50,200</u>	<u>102,609</u>

II. NOTES TO FINANCIAL INFORMATION (Continued)

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

The maturity profile of the Company's financial liability as at 31 December 2011, based on the contractual undiscounted payments, was as follows:

Company

	On demand HK\$'000	Less than 3 months HK\$'000	Total HK\$'000
At 31 December 2011			
Due to the immediate holding company	577	—	577

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern in order to provide returns to the shareholder, to procure adequate financial resources from shareholder and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholder, return capital to shareholder or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Group monitors capital using a net debt-to-adjusted capital ratio, which is net debt divided by adjusted capital. Net debt includes trade and bills payables, other payables and accruals and an amount due to the immediate holding company, less cash and cash equivalents. Adjusted capital includes equity attributable to owners of the Company plus net debt. The net debt-to-adjusted capital ratio as at the end of each reporting period was as follows:

Group

	2009 HK\$'000	31 December 2010 HK\$'000	2011 HK\$'000
Trade and bills payables	33,752	46,283	38,329
Other payables and accruals	26,275	34,617	29,783
Due to the immediate holding company	121,541	100,763	52,409
Less: Cash and cash equivalents	(55,288)	(65,335)	(59,798)
Net debt	126,280	116,328	60,723
Equity attributable to owners of the Company	98,433	125,811	164,037
Adjusted capital	224,713	242,139	224,760
Net debt-to-adjusted capital ratio	56%	48%	27%

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group, the Company or any of its subsidiaries in respect of any period subsequent to 31 December 2011.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information sets out in this Appendix does not form part of the Accountants' Report prepared by Ernst & Young, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this prospectus, and is included herein for illustrative purpose only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the "Accountants' Report" set forth in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS

The following is an illustrative and unaudited pro forma statement of adjusted combined net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules and on the basis of the notes set out below for the purpose of illustrating the effect of the Share Offer on the combined net tangible assets of the Group attributable to owners of the Company as if the Share Offer had taken place on 31 December 2011. This unaudited pro forma statement of adjusted combined net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of the Group had the Share Offer been completed as at 31 December 2011 or any future dates:

	Combined net tangible assets attributable to owners of the Company as at 31 December 2011 <i>HK\$'000</i> <i>(Note 1)</i>	Estimated net proceeds from the Share Offer <i>HK\$'000</i> <i>(Note 2)</i>	Unaudited pro forma adjusted combined net tangible assets <i>HK\$'000</i>	Unaudited pro forma adjusted combined net tangible assets per Share <i>HK\$</i> <i>(Note 3)</i>
Based on an Offer Price of HK\$1.59 per Share	<u>164,037</u>	<u>20,599</u>	<u>184,636</u>	<u>1.28</u>

Notes:

- (1) The combined net tangible assets attributable to owners of the Company as at 31 December 2011 is extracted from the Accountants' Report set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Share Offer are based on the Offer Price of HK\$1.59 per Share after deduction of the underwriting fees and other related expenses payable by the Company. No account has been taken of the Shares which may be issued upon the exercise of any option that may be granted under the Share Option Scheme.
- (3) The unaudited pro forma adjusted combined net tangible assets per Share is calculated based on 143,765,993 Shares expected to be in issue immediately following the completion of the Share Offer without taking into account of any Shares which may be issued upon the exercise of any option that may be granted under the Share Option Scheme or any Shares which may be allotted, issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares.
- (4) The Group's certain property interests as at 30 April 2012 have been valued by DTZ Debenham Tie Leung Limited, an independent property valuer, and the relevant property valuation report is set out in Appendix III to this prospectus – Property Valuation. The revaluation surplus of these properties was not incorporated in the Group's combined financial information for the year ended 31 December 2011. The above adjustments do not take into account the revaluation surplus attributable to the Group arising from the revaluation of the Group's certain property interests amounting to about HK\$72.2 million. If the revaluation surplus was recorded in the Group's financial statements, additional annual depreciation and amortisation of about HK\$1.6 million would be charged.
- (5) No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2011.

**B. LETTER FROM THE REPORTING ACCOUNTANTS ON UNAUDITED PRO
FORMA FINANCIAL INFORMATION**

The following is the text of a letter, receiving from the reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus, in respect of the Group's unaudited pro forma financial information.



22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

28 June 2012

The Directors
Qualipak International Holdings Limited
Haitong International Capital Limited

Dear Sirs,

We report on the unaudited pro forma adjusted combined net tangible assets (the “Unaudited Pro Forma Financial Information”) of Qualipak International Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”), which have been prepared by the directors of the Company (the “Directors”) for illustrative purposes only, to provide information about how the share offer of 14,375,999 shares of HK\$0.10 each in the capital of the Company might have affected the financial information presented, for inclusion in Appendix II to the prospectus of the Company dated 28 June 2012 (the “Prospectus”). The basis of preparation of the Unaudited Pro Forma Financial Information is set out in Appendix II to the Prospectus.

Respective Responsibilities of the Directors and Reporting Accountants

It is the responsibility solely of the Directors to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments, and discussing the Unaudited Pro Forma Financial Information with the Directors. This engagement did not involve independent examination of any of the underlying financial information.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Our work did not constitute an audit or a review made in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the Unaudited Pro Forma Financial Information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the Directors, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 31 December 2011 or any future dates.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

The following is the text of a letter, summary of valuations and valuation certificates prepared for the purpose of incorporation in this prospectus received from DTZ Debenham Tie Leung Limited, an independent property valuer, in connection with its opinion of market value of the property interests in Hong Kong and the PRC as at 30 April 2012.



16th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

28 June 2012

The Directors
Qualipak International Holdings Limited
7th Floor,
China United Centre,
28 Marble Road,
North Point,
Hong Kong

Dear Sirs,

In accordance with your instructions for us to carry out market valuations of the properties in Hong Kong and the People's Republic of China ("the PRC") in which Qualipak International Holdings Limited ("the Company") and its subsidiaries (collectively "the Group") have interests, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of these properties as at 30 April 2012 ("the date of valuation").

Our valuation of each of the properties represents its market value which in accordance with the Valuation Standards on Properties of the Hong Kong Institute of Surveyors is defined as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

Our valuation of each property excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties nor 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 any onerous nature which could affect their values.

In valuing the properties, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Valuation Standards (First Edition 2005) on Properties issued by the Hong Kong Institute of Surveyors.

Property no.1 has been valued by direct comparison method by making reference to comparable market transactions as available in the market and where appropriate on the basis of capitalization of the licence fee shown on the schedules provided to us. We have allowed for outgoings and in appropriate cases made provisions for reversionary income potential.

In valuing property no. 2, we have adopted “Depreciated Replacement Cost” (“DRC”) Approach due to the special nature of the property. DRC is based on an estimate of the market value for the existing use of the land, plus the current gross replacement costs of the improvements, less allowances for physical deterioration and all relevant forms of obsolescence and optimization. The term gross replacement cost is defined as the estimated cost of erecting the building or a modern substitute building having the same area as the existing building at prices current at the relevant date. This figure includes fees and finance charges payable during the construction period and other associated expenses directly related to the construction of the building. The DRC Approach generally furnishes a reliable indication of value for property with specific nature and design of buildings, in the absence of identifiable market sales comparables. The DRC is subject to adequate potential profitability of the business.

We have relied to a very considerable extent on the information given to us by the Group and have accepted advice from the Group on such matters as statutory notices, easements, tenure, identification of properties, particulars of occupancy, licence fee and other details of lettings, site and floor areas, site and floor plans and all other relevant matters.

However, we have not searched the original documents to ascertain ownership or to verify any amendments. We have been provided with extracts of documents in relation to the title to the properties in the PRC. We have relied upon information given to us by the Group. We have also relied on its PRC legal adviser, GFE Law Office, in respect of the Group’s interest in the properties in the PRC.

Dimensions, measurements and areas included in the valuation certificates are based on information provided to us and are therefore only approximate. We have no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuations. We were also advised by the Group that no material facts have been omitted from the information provided.

In valuing the property held by the Group in the PRC, we have assumed that transferable land use rights in respect of the property at nominal land use fees have been granted and that any premium payable has already been fully settled. We have relied on the advice given by the Group regarding the title to the properties and the interests of the Group in the property. We have, unless otherwise stated, assumed that the grantees or the users of the property has free and uninterrupted rights to use, occupy, underlet or assign the property for the whole of the respective unexpired terms as granted.

Regarding the property in Hong Kong, we have caused searches to be made at the Land Registry. However, we have not searched the original documents to verify ownership or to verify any amendments to any documents. All documents and leases have been used for reference only and all dimensions, measurements and areas are approximate. We have not been able to cause title searches for the properties in the PRC but we have made reference to the copies of the title documents which have been made available to us by the Group.

We have inspected the exterior and, wherever possible, interior of the properties. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defects. No test was carried out on any of the services.

Unless otherwise stated, all money amounts indicated herein are in Hong Kong dollars for the property in Hong Kong and Renminbi (“RMB”) for the property in the PRC.

We enclose herewith a summary of valuations and our valuation certificates for your attention.

Yours faithfully,
For and on behalf of
DTZ Debenham Tie Leung Limited
Andrew Chan
Registered Professional Surveyor
(General Practice Division)
China Real Estate Appraiser
M.R.I.C.S., M.H.K.I.S.
Senior Director

Note: Mr. Andrew Chan is a Registered Professional Surveyor who has over 24 years’ experience in the valuation of properties in Hong Kong and the PRC.

SUMMARY OF VALUATIONS

Property	Capital value in existing state as at 30 April 2012
Group I — Property held by the Group and subject to licence agreement in Hong Kong	
1. Portion of 15th Floor, China United Centre, “28 Marble Road”, No. 28 Marble Road, North Point, Hong Kong	HK\$25,200,000
Grand Total of Group I:	HK\$25,200,000
Group II — Property held by the Group in the PRC	
2. An industrial complex situated at Jiemin Village, Sanjiao Town, Zhongshan, Guangdong Province, the PRC	RMB94,000,000
Grand Total of Group II:	RMB94,000,000

Group I — Property held by the Group and subject to licence agreement in Hong Kong

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2012
<p>1. Portion of 15th Floor, China United Centre, “28 Marble Road”, No. 28 Marble Road, North Point, Hong Kong</p> <p>Part of 677/23400th shares of and in Sub-section 2 of Section A, Section B of Sub-section 3 of Section A, the Remaining Portion of Sub-section 3 of Section A, Section A of Sub-section 3 of Section A, Sub-section 5 of Section A, Sub-section 4 of Section A, the Remaining Portion of Section A, the Remaining Portion of Section A of Sub-section 1 of Section A, Sub-section 5 of Section A of Sub-section 1 of Section A, Sub-section 3 of Section A of Sub-section 1 of Section A, Sub-section 2 of Section A of Sub-section 1 of Section A, Sub-section 4 of Section A of Sub-section 1 of Section A and Sub-section 6 of Section A of Sub-section 1 of Section A of Inland Lot No. 3504</p>	<p>The property comprises portion of the office unit on the 15th floor of a 31-storey office tower with its basement to 1st floors devoted to retail purpose, 2nd to 5th floor devoted to loading/unloading and car parking facilities and the remaining floors accommodate office units. The property was completed in 1997.</p> <p>The property has a saleable area of about 2,876 sq ft (267.19 sq m).</p> <p>The property is held from the Government under Conditions of Sale No. UB3369 for a term of 75 years from 17 October 1932 renewed for a further term of 75 years. The current Government rent payable for the whole of 15th floor is HK\$38,520 per annum.</p>	<p>According to the information provided by the Group, the property together with another portion of the 15th floor, comprising a total gross floor area of 7,425 sq ft (saleable area: 5,686 sq ft), are currently licenced to CC Land and shared with the Group in common for a term from 1 October 2011 to 30 September 2012 at a total monthly licence fee of HK\$71,280. The monthly licence fee is borne by the Group and CC Land in equal shares and the net monthly amount currently payables by the Group is HK\$35,640. Upon completion of the Spin-off, the property will be licenced to the Remaining CC Land Group for a term of 3 years from 12 July 2012 to 11 July 2015 at a monthly licence fee of HK\$80,000, exclusive of Government rent, rates, management fees, air conditioning, electricity and cleaning charges and all other outgoings.</p>	HK\$25,200,000

Note: The registered owner of the property is King Place Investments Limited (an indirect wholly-owned subsidiary of the Company).

Group II — Property held by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2012
2. An industrial complex situated at Jiemin Village, Sanjiao Town, Zhongshan, Guangdong Province, the PRC	<p>The property comprises an industrial complex erected upon a parcel of land with a site area of about 80,000 sq m.</p> <p>The industrial complex comprises 19 buildings with a total gross floor area of about 59,015.88 sq m. It was completed in 2000.</p> <p>The land use rights of the property have been granted for a term due to expire on 31 March 2047 for industrial use.</p>	The property is currently occupied by the Group for production purpose.	RMB94,000,000

Notes:

- (1) According to Certificate for the Use of State-owned Land No. (2000)040139 issued by Zhongshan Municipal Government dated 19 March 2000, the land use rights of the property comprising a site area of 80,000 sq m have been granted to Winning Hand Management Limited (確盈達實業有限公司) (an indirect wholly-owned subsidiary of the Company) for a term due to expire on 31 March 2047 for industrial use.
- (2) According to 2 Real Estate Title Certificate Nos. C5523545 and C4864492 issued by People's Government of Guangdong Province, the building ownership of the property with a total gross floor area of 59,015.88 sq m, have been granted to Winning Hand Management Limited for a term due to expire on 31 March 2047 for industrial use.
- (3) We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser which contains, inter-alia, the following information:
 - (i) Winning Hand Management Limited has obtained the relevant land use rights and building ownership of the property ; and
 - (ii) Winning Hand Management Limited has the right to freely transfer, lease, mortgage or dispose of the property.
- (4) The status of title and grant of major approvals and licences in accordance with the legal opinion and information provided by the Group are as follows:—

Certificate for the Use of State-owned Land Use Rights	Yes
Real Estate Title Certificate	Yes

Set out below is a summary of certain provisions of the memorandum of association (the “Memorandum of Association”) and Bye-laws of the Company and of certain aspects of Bermuda company law.

1. MEMORANDUM OF ASSOCIATION

The Memorandum of Association states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the Company is an exempted company as defined in the Companies Act. The Memorandum of Association also sets out the objects for which the Company was formed which are unrestricted and that the Company has the capacity, rights, powers and privileges of a natural person. As an exempted company, the Company will be carrying on business outside Bermuda from a place of business within Bermuda.

In accordance with and subject to section 42A of the Companies Act, the Memorandum of Association empowers the Company to purchase its own shares and pursuant to its Bye-laws, this power is exercisable by the Board upon such terms and subject to such conditions as it thinks fit.

2. BYE-LAWS

The Bye-laws were adopted on 19 June 2012. The following is a summary of certain provisions of the Bye-laws:

(a) Directors

(i) *Power to allot and issue shares and warrants*

Subject 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 Act, any preference shares may be issued or converted into shares that are liable to be redeemed, at a determinable date or at the option of the Company or, if so authorised by the Memorandum of Association, at the option of the holder, on such terms and in such manner as the Company before the issue or conversion may by ordinary resolution determine. 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 Act, the Bye-laws, any direction that may be given by the Company in general meeting and, where applicable, the rules of any Designated Stock Exchange (as defined in the Bye-laws) 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 of its subsidiaries

There are no specific provisions in the Bye-laws relating to the disposal of the assets of the Company or any of its subsidiaries.

Note: 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 Bye-laws or the Companies Act to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

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 no provisions in the Bye-laws relating to the making of loans to Directors. However, the Companies Act contains restrictions on companies making loans or providing security for loans to their directors, the relevant provisions of which are summarised in the paragraph headed “Bermuda Company Law” in this Appendix.

(v) Financial assistance to purchase shares of the Company

Neither the Company nor any of its subsidiaries shall directly or indirectly give financial assistance to a person who is acquiring or proposing to acquire shares in the Company for the purpose of that acquisition whether before or at the same time as the acquisition takes place or afterwards, provided that the Bye-laws shall not prohibit transactions permitted under the Companies Act.

(vi) 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 auditor of the Company) in conjunction with his office of Director for such period and, subject to the Companies Act, upon such terms as the board may determine, and may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Bye-laws. A Director may be or become a director or other officer of, or a member of, 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 Bye-laws, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Act and to the Bye-laws, no Director or proposed or intending 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 associates 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 associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his 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 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 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 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 associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vii) Remuneration

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such remuneration (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 incurred or expected to be 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 provided for by or pursuant to any other Bye-law. A 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 dependants 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 dependants, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependants 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.

(viii) 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 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.

Note: 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, subject to authorisation by the members in general meeting, as an addition to the existing board but so that the number of Directors so appointed shall not exceed any maximum number determined from time to time by the members in general meeting. Any Director appointed by the board to fill a casual vacancy shall hold office until the first general meeting of Members after his appointment and be subject to re-election at such meeting and any Director appointed by the board as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

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) provided that the notice of any such meeting convened for the purpose of removing a Director shall contain a statement of the intention to do so and be served on such Director fourteen (14) days before the meeting and, at such meeting, such Director shall be entitled to be heard on the motion for his removal. 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 unless otherwise determined from time to time by members of the Company.

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 (subject to their continuance as Directors) and upon such terms as the board may determine and the board may revoke or terminate any of such appointments (but without prejudice to any claim for damages that such Director may have against the Company or vice versa). 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.

(ix) Borrowing powers

The board may from time to time at its discretion 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 Act, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Bye-laws in general, can be varied with the sanction of a special resolution of the Company.

(b) Alterations to constitutional documents

The Bye-laws may be rescinded, altered or amended by the Directors subject to the confirmation of the Company in general meeting. The Bye-laws state that a special resolution shall be required to alter the provisions of the Memorandum of Association, to confirm any such rescission, alteration or amendment to the Bye-laws 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 Act:

- (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 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 of Association;
- (v) change the currency denomination of its share capital;
- (vi) make provision for the issue and allotment of shares which do not carry any voting rights; and
- (vii) 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, by special resolution, subject to any confirmation or consent required by law, reduce its authorised or issued share capital or, save for the use of share premium as expressly permitted by the Companies Act, any share premium account or other undistributable reserve.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Act, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths 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 Bye-laws relating to general meetings will mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons or (in the case of a member being a corporation) its duly authorised representative 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 (in the case of a member being a corporation) its duly authorised representative 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.

(e) Special resolution-majority required

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 Designed Stock Exchange (as defined in the Bye-laws), 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 not less than ten (10) clear business days has been given.

(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 Bye-laws, at any general meeting on a poll every member present in person or by proxy or (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 installments 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 authorized 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 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 held by that clearing house (or its nominee(s)) in respect of the number and class of shares specified in the relevant authorisation 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 Bye-laws), 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 in which its statutory meeting is convened at such time (within a period of not more than 15 months after the holding of the last preceding annual general meeting unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Bye-laws)) 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 provisions of the Companies Act 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, subject to the Companies Act, 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 of inspecting any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting.

Subject to the Companies Act, a printed copy of the Directors' report, accompanied by the balance sheet and profit and loss account, including every document required by law to be annexed thereto, made up to the end of the applicable financial year and containing a summary of the assets and liabilities of the Company under convenient heads and a statement of income and expenditure, together with a copy of the auditors' report, shall be sent to each person entitled thereto at least twenty-one (21) days before the date of the general meeting and at the same time as the notice of annual general meeting and laid before the Company at the annual general meeting in accordance with the requirements of the Companies Act provided that this provision shall not require a copy of those documents to be sent to any person whose address the Company is not aware of or to more than one of the joint holders of any shares or debentures; however, to the extent permitted by and subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Bye-laws), 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.

Subject to the Companies Act, at the annual general meeting or at a subsequent special general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the members appoint another auditor. Such auditor may be a member but no Director or officer or employee of the Company shall, during his continuance in office, be eligible to act as an auditor of the Company. The remuneration of the auditor 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 Bermuda. If the auditing standards of a country or jurisdiction other than Bermuda are used, the financial statements and the report of the auditor should disclose this fact and name such country and 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 special 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 special 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. The notice convening an annual general meeting shall specify the meeting as such.

(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 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 Bermuda or such other place in Bermuda at which the principal register is kept in accordance with the Companies Act.

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 Bye-laws) 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 an appointed newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Bye-laws), 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 Bye-laws supplement the Company's Memorandum of Association (which gives the Company the power to purchase its own shares) by providing that the power is exercisable by the board upon such terms and conditions as it thinks fit.

(l) Power for any subsidiary of the Company to own shares in the Company

There are no provisions in the Bye-laws relating to ownership of shares in the Company by a subsidiary.

(m) Dividends and other methods of distribution

Subject to the Companies Act, 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 Company in general meeting may also make a distribution to its members out of contributed surplus (as ascertained in accordance with the Companies Act). No dividend shall be paid or distribution made out of contributed surplus if to do so would render the Company unable to pay its liabilities as they become due or the realisable value of its assets would thereby become less than the aggregate of its liabilities and its issued share capital and share premium account.

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 a member by the Company on 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.

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.

(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. In addition, a proxy or proxies representing either a member who is an individual or a member which is a corporation shall be entitled to exercise the same powers on behalf of the member which he or they represent as such member could exercise.

(o) Call on shares and forfeiture of shares

Subject to the Bye-laws 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 installments. 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 installments 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

The register and branch register of members shall be open to inspection between 10:00 a.m. and 12:00 noon on every business day by members of the public without charge at the registered office or such other place in Bermuda at which the register is kept in accordance with the Companies Act, unless the register is closed in accordance with the Companies Act.

(q) Quorum for meetings and separate class meetings

For all purposes 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.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Bye-laws relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Bermuda law, as summarised in paragraph 4(e) 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.

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 Act, divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of 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

The Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 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 Bye-laws) giving notice of its intention to sell such shares and a period of three months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Bye-laws), has elapsed since such advertisement and the Designated Stock Exchange (as defined in the Bye-laws) 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) Other provisions

The Bye-laws provide that to the extent that it is not prohibited by and is in compliance with the Companies Act, 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.

The Bye-laws also provide that the Company is required to maintain at its registered office a register of directors and officers in accordance with the provisions of the Companies Act and such register is open to inspection by members of the public without charge between 10:00 a.m. and 12:00 noon on every business day.

3. VARIATION OF MEMORANDUM OF ASSOCIATION AND BYE-LAWS

The Memorandum of Association may be altered by the Company in general meeting. The Bye-laws may be amended by the Directors subject to the confirmation of the Company in general meeting. The Bye-laws state that a special resolution shall be required to alter the provisions of the Memorandum of Association or to confirm any amendment to the Bye-laws or to change the name of the Company. For these purposes, a resolution is a special resolution if it has been passed by a majority of not less than three-fourths of the votes cast by such members of the Company as, being entitled to do so, vote in person or, in the case of such members as are corporations, by their respective duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than twenty-one (21) clear days' and not less than ten (10) clear business days' notice specifying the intention to propose the resolution as a special resolution has been duly given. Except in the case of an annual general meeting, the requirement of twenty-one (21) clear days' notice may be waived by a majority in number of the members having the right to attend and vote at the relevant meeting, being a majority together holding not less than ninety-five per cent (95%) in nominal value of the shares giving that right.

4. BERMUDA COMPANY LAW

The Company is incorporated in Bermuda and, therefore, operates subject to Bermuda law. Set out below is a summary of certain provisions of Bermuda company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Bermuda company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Share capital

The Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”, to which the provisions of the Companies Act relating to a reduction of share capital of a company shall apply as if the share premium account was paid up share capital of the company except that the share premium account may be applied by the company:

- (i) in paying up unissued shares of the company to be issued to members of the company as fully paid bonus shares;
- (ii) in writing off:
 - (aa) the preliminary expenses of the company; or
 - (bb) the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; or
- (iii) in providing for the premiums payable on redemption of any shares or of any debentures of the company.

In the case of an exchange of shares the excess value of the shares acquired over the nominal value of the shares being issued may be credited to a contributed surplus account of the issuing company.

The Companies Act permits a company to issue preference shares and subject to the conditions stipulated therein to convert those preference shares into redeemable preference shares.

The Companies Act includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. Where provision is made by the memorandum of association or bye-laws for authorising the variation of rights attached to any class of shares in the company, 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, and where no provision for varying such rights is made in the memorandum of association or bye-laws and nothing therein precludes a variation of such rights, the written consent of the holders of three-fourths of the issued shares of that class or the sanction of a resolution passed as aforesaid is required.

(b) Financial assistance to purchase shares of a company or its holding company

A company is prohibited from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares unless there are reasonable grounds for believing that the company is, and would after the giving of such financial assistance be, able to pay its liabilities as they become due. In certain circumstances, the prohibition from giving financial assistance may be excluded such as where the assistance is only an incidental part of a larger purpose or the assistance is of an insignificant amount such as the payment of minor costs.

(c) Purchase of shares and warrants by a company and its subsidiaries

A company may, if authorised by its memorandum of association or bye-laws, purchase its own shares. Such purchases may only be effected out of the capital paid up on the purchased shares or out of the funds of the company otherwise available for dividend or distribution or out of the proceeds of a fresh issue of shares made for the purpose. Any premium payable on a purchase over the par value of the shares to be purchased must be provided for out of funds of the company otherwise available for dividend or distribution or out of the company's share premium account. Any amount due to a shareholder on a purchase by a company of its own shares may (i) be paid in cash; (ii) be satisfied by the transfer of any part of the undertaking or property of the company having the same value; or (iii) be satisfied partly under (i) and partly under (ii). Any purchase by a company of its own shares may be authorised by its board of directors or otherwise by or in accordance with the provisions of its bye-laws. Such purchase may not be made if, on the date on which the purchase is to be effected, there are reasonable grounds for believing that the company is, or after the purchase would be, unable to pay its liabilities as they become due. The shares so purchased may either be cancelled or held as treasury shares. Any purchased shares that are cancelled will, in effect, revert to the status of authorised but unissued shares. If shares of the company are held as treasury shares, the company is prohibited to exercise any rights in respect of those shares, including any right to attend and vote at meetings, including a meeting under a scheme of arrangement, and any purported exercise of such a right is void. No dividend shall be paid to the company in respect of shares held by the company as treasury shares; 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) shall be made to the company in respect of shares held by the company as treasury shares. Any shares allotted by the company as fully paid bonus shares in respect of shares held by the company as treasury shares shall be treated for the purposes of the Companies Act as if they had been acquired by the company at the time they were allotted.

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 Bermuda law that a company's memorandum of association or its bye-laws contain a specific provision enabling such purchases.

Under Bermuda law, a subsidiary may hold shares in its holding company and in certain circumstances, may acquire such shares. The holding company is, however, prohibited from giving financial assistance for the purpose of the acquisition, subject to certain circumstances provided by the Companies Act. A company, whether a subsidiary or a holding company, may only purchase its own shares if it is authorised to do so in its memorandum of association or bye-laws pursuant to section 42A of the Companies Act.

(d) Dividends and distributions

A company may not declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that (i) the company is, or would after the payment be, unable to pay its liabilities as they become due; or (ii) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts. Contributed surplus is defined for purposes of section 54 of the Companies Act to include the proceeds arising from donated shares, credits resulting from the redemption or conversion of shares at less than the amount set up as nominal capital and donations of cash and other assets to the company.

(e) Protection of minorities

Class actions and derivative actions are generally not available to shareholders under the laws of Bermuda. The Bermuda courts, however, would ordinarily be expected to permit a shareholder to commence an action in the name of a company to remedy a wrong done to the company where the act complained of is alleged to be beyond the corporate power of the company or is illegal or would result in the violation of the company's memorandum of association and bye-laws. Furthermore, consideration would be given by the court to acts that are alleged to constitute a fraud against the minority shareholders or, for instance, where an act requires the approval of a greater percentage of the company's shareholders than actually approved it.

Any member of a company who complains that the affairs of the company are being conducted or have been conducted in a manner oppressive or prejudicial to the interests of some part of the members, including himself, may petition the court which may, if it is of the opinion that to wind up the company would unfairly prejudice that part of the members but that otherwise the facts would justify the making of a winding up order on just and equitable grounds, make such order as it thinks fit, whether for regulating the conduct of the company's affairs in future or for the purchase of shares of any members of the company by other members of the company or by the company itself and in the case of a purchase by the company itself, for the reduction accordingly of the company's capital, or otherwise. Bermuda law also provides that the company may be wound up by the Bermuda court, if the court is of the opinion that it is just and equitable to do so. Both these provisions are available to minority shareholders seeking relief from the oppressive conduct of the majority, and the court has wide discretion to make such orders as it thinks fit.

Except as mentioned above, claims against a company by its shareholders must be based on the general laws of contract or tort applicable in Bermuda.

A statutory right of action is conferred on subscribers of shares in a company against persons, including directors and officers, responsible for the issue of a prospectus in respect of damage suffered by reason of an untrue statement therein, but this confers no right of action against the company itself. In addition, such company, as opposed to its shareholders, may take action against its officers including directors, for breach of their statutory and fiduciary duty to act honestly and in good faith with a view to the best interests of the company.

(f) Management

The Companies Act contains no specific restrictions on the power of directors to dispose of assets of a company, although it specifically requires that every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Furthermore, the Companies Act requires that every officer should comply with the Companies Act, regulations passed pursuant to the Companies Act and the bye-laws of the company. The directors of a company may, subject to the bye-laws of the company, exercise all the powers of the company except those powers that are required by the Companies Act or the bye-laws to be exercised by the members of the company.

(g) Accounting and auditing requirements

The Companies Act requires a company to cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters 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.

Furthermore, it requires that a company keeps its records of account at the registered office of the company or at such other place as the directors think fit and that such records shall at all times be open to inspection by the directors or the resident representative of the company. If the records of account are kept at some place outside Bermuda, there shall be kept at the office of the company in Bermuda such records as will enable the directors or the resident representative of the company to ascertain with reasonable accuracy the financial position of the company at the end of each three month period, except that where the company is listed on an appointed stock exchange, there shall be kept such records as will enable the directors or the resident representative of the company to ascertain with reasonable accuracy the financial position of the company at the end of each six month period.

The Companies Act requires that the directors of the company must, at least once a year, lay before the company in general meeting financial statements for the relevant accounting period. Further, the company's auditor must audit the financial statements so as to enable him to report to the members. Based on the results of his audit, which must be made in accordance with generally accepted auditing standards, the auditor must then make a report to the members. The generally accepted auditing standards may be those of a country or jurisdiction other than Bermuda or such other generally accepted auditing standards as may be appointed by the Minister of Finance of Bermuda under the Companies Act; and where the generally accepted auditing standards used are other than those of Bermuda, the report of the auditor shall identify the generally accepted auditing standards used. All members of the company are entitled to receive a copy of every financial statement prepared in accordance with these requirements, at least five (5) days before the general meeting of the company at which the financial statements are to be tabled. A company the shares of which are listed on an appointed stock exchange may send to its members summarized financial statements instead. The

summarized financial statements must be derived from the company's financial statements for the relevant period and contain the information set out in the Companies Act. The summarized financial statements sent to the company's members must be accompanied by an auditor's report on the summarized financial statements and a notice stating how a member may notify the company of his election to receive financial statements for the relevant period and/or for subsequent periods.

The summarized financial statements together with the auditor's report thereon and the accompanied notice must be sent to the members of the company not less than twenty-one (21) days before the general meeting at which the financial statements are laid. Copies of the financial statements must be sent to a member who elects to receive the same within seven (7) days of receipt by the company of the member's notice of election.

(h) Auditors

At each annual general meeting, a company must appoint an auditor to hold office until the close of the next annual general meeting; however, this requirement may be waived if all of the shareholders and all of the directors, either in writing or at the general meeting, agree that there shall be no auditor.

A person, other than an incumbent auditor, shall not be capable of being appointed auditor at an annual general meeting unless notice in writing of an intention to nominate that person to the office of auditor has been given not less than twenty-one (21) days before the annual general meeting. The company must send a copy of such notice to the incumbent auditor and give notice thereof to the members not less than seven (7) days before the annual general meeting. An incumbent auditor may, however, by notice in writing to the secretary of the company waive the requirements of the foregoing.

Where an auditor is appointed to replace another auditor, the new auditor must seek from the replaced auditor a written statement as to the circumstances of the latter's replacement. If the replaced auditor does not respond within fifteen (15) days, the new auditor may act in any event. An appointment as auditor of a person who has not requested a written statement from the replaced auditor is voidable by a resolution of the shareholders at a general meeting. An auditor who has resigned, been removed or whose term of office has expired or is about to expire, or who has vacated office is entitled to attend the general meeting of the company at which he is to be removed or his successor is to be appointed; to receive all notices of, and other communications relating to, that meeting which a member is entitled to receive; and to be heard at that meeting on any part of the business of the meeting that relates to his duties as auditor or former auditor.

(i) Exchange control

An exempted company is usually designated as “non-resident” for Bermuda exchange control purposes by the Bermuda Monetary Authority. Where a company is so designated, it is free to deal in currencies of countries outside the Bermuda exchange control area which are freely convertible into currencies of any other country. The permission of the Bermuda Monetary Authority is required for the issue of shares and securities by the company and the subsequent transfer of such shares and securities. In granting such permission, the Bermuda Monetary Authority accepts no responsibility for the financial soundness of any proposals or for the correctness of any statements made or opinions expressed in any document with regard to such issue. Before the company can issue or transfer any further shares and securities in excess of the amounts already approved, it must obtain the prior consent of the Bermuda Monetary Authority.

The Bermuda Monetary Authority has granted general permission for the issue and transfer of shares and securities to and between persons regarded as resident outside Bermuda for exchange control purposes without specific consent for so long as any equity securities, including shares, are listed on an appointed stock exchange (as defined in the Companies Act). Issues to and transfers involving persons regarded as “resident” for exchange control purposes in Bermuda will be subject to specific exchange control authorisation.

(j) Taxation

Under present Bermuda law, no Bermuda withholding tax on dividends or other distributions, nor any Bermuda tax computed on profits or income or on any capital asset, gain or appreciation will be payable by an exempted company or its operations, nor is there any Bermuda tax in the nature of estate duty or inheritance tax applicable to shares, debentures or other obligations of the company held by non-residents of Bermuda. Furthermore, a company may apply to the Minister of Finance of Bermuda for an assurance, under the Exempted Undertakings Tax Protection Act 1966 of Bermuda, that no such taxes shall be so applicable until 31st March 2035, although this assurance will not prevent the imposition of any Bermuda tax payable in relation to any land in Bermuda leased or let to the company or to persons ordinarily resident in Bermuda.

(k) Stamp duty

An exempted company is exempt from all stamp duties except on transactions involving “Bermuda property”. This term relates, essentially, to real and personal property physically situated in Bermuda, including shares in local companies (as opposed to exempted companies). Transfers of shares and warrants in all exempted companies are exempt from Bermuda stamp duty.

(l) Loans to directors

Bermuda law prohibits the making of loans by a company to any of its directors or to their families or companies in which they hold more than a twenty per cent. (20%) interest, without the consent of any member or members holding in aggregate not less than nine-tenths of the total voting rights of all members having the right to vote at any meeting of the members of the company. These prohibitions do not apply to (a) anything done to provide a director with funds to meet the expenditure incurred or to be incurred by him for the purposes of the company, provided that the company gives its prior approval at a general meeting or, if not, the loan is made on condition that it will be repaid within six months of the next following annual general meeting if the loan is not approved at or before such meeting, (b) in the case of a company whose ordinary business includes the lending of money or the giving of guarantees in connection with loans made by other persons, anything done by the company in the ordinary course of that business, or (c) any advance of moneys by the company to any officer or auditor under Section 98(2)(c) of the Companies Act which allows the company to advance moneys to an officer or auditor of the company for the costs incurred in defending any civil or criminal proceedings against them, on condition that the officer or auditor shall repay the advance if any allegation of fraud or dishonesty is proved against them. If the approval of the company is not given for a loan, the directors who authorised it will be jointly and severally liable for any loss arising therefrom.

(m) Inspection of corporate records

Members of the general public have the right to inspect the public documents of a company available at the office of the Registrar of Companies in Bermuda which will include the company's certificate of incorporation, its memorandum of association (including its objects and powers) and any alteration to the company's memorandum of association. The members of the company have the additional right to inspect the bye-laws of a company, minutes of general meetings and the company's audited financial statements, which must be presented to the annual general meeting. Minutes of general meetings of a company are also open for inspection by directors of the company without charge for not less than two (2) hours during business hours each day. The register of members of a company is open for inspection by members of the public without charge. The company is required to maintain its share register in Bermuda but may, subject to the provisions of the Companies Act, establish a branch register outside Bermuda. Any branch register of members established by the company is subject to the same rights of inspection as the principal register of members of the company in Bermuda. Any person may on payment of a fee prescribed by the Companies Act require a copy of the register of members or any part thereof which must be provided within fourteen (14) days of a request. Bermuda law does not, however, provide a general right for members to inspect or obtain copies of any other corporate records.

A company is required to maintain a register of directors and officers at its registered office and such register must be made available for inspection for not less than two (2) hours in each day by members of the public without charge. If summarized financial statements are sent by a company to its members pursuant to section 87A of the Companies Act, a copy of the summarized financial statements must be made available for inspection by the public at the registered office of the company in Bermuda.

(n) Winding up

A company may be wound up by the Bermuda court on application presented by the company itself, its creditors or its contributors. The Bermuda court also has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Bermuda court, just and equitable that such company be wound up.

A company may be wound up voluntarily when the members so resolve in general meeting, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum expires, or the event occurs on the occurrence of which the memorandum provides that the company is to be dissolved. 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. 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.

Where, on a voluntary winding up, a majority of directors make a statutory declaration of solvency, the winding up will be a members' voluntary winding up. In any case where such declaration has not been made, the winding up will be a creditors' voluntary winding up.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators within the period prescribed by the Companies Act for the purpose of winding up the affairs of the company and distributing its assets. If the liquidator at any time forms the opinion that such company will not be able to pay its debts in full, he is obliged to summon a meeting of creditors.

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. This final general meeting requires at least one month's notice published in an appointed newspaper in Bermuda.

In the case of a creditors' voluntary winding up of a company, the company must call a meeting of creditors of the company to be summoned on the day following the day on which the meeting of the members at which the resolution for winding up is to be proposed is held. Notice of such meeting of creditors must be sent at the same time as notice is sent to members. In addition, such company must cause a notice to appear in an appointed newspaper on at least two occasions.

The creditors and the members at their respective meetings may nominate a person to be liquidator for the purposes of winding up the affairs of the company provided that if the creditors nominate a different person, the person nominated by the creditors shall be the liquidator. The creditors at the creditors' meeting may also appoint a committee of inspection consisting of not more than five persons.

If a creditors' winding up continues for more than one year, the liquidator is required to summon a general meeting of the company and a meeting of the creditors at the end of each year to lay before such meetings an account of his acts and dealings and of the conduct of the winding up during the preceding year. As soon as the affairs of the company are fully wound up, the liquidator must make 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 shall call a general meeting of the company and a meeting of the creditors for the purposes of laying the account before such meetings and giving an explanation thereof.

5. GENERAL

Conyers Dill & Pearman, the Company's legal advisers on Bermuda law, have sent to the Company a letter of advice summarising certain aspects of Bermuda company law. This letter, together with a copy of the Companies Act, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix VI. Any person wishing to have a detailed summary of Bermuda company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY**1. Incorporation**

The Company was incorporated as an exempted company in Bermuda under the Companies Act with limited liability on 24 October 2011. Our principal place of business in Hong Kong is at 7th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong and the Company registered as a non-Hong Kong company in Hong Kong under Part XI of the Companies Ordinance on 27 April 2012. Ms. Poon Ho Yee Agnes and Mr. Wu Hong Cho have been appointed as our authorized representatives of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in Bermuda, it operates subject to the Companies Act and the relevant laws and regulations of Bermuda and its constitution which comprises the Bye-laws. A summary of certain provisions of our Company's constitution and relevant aspects of the Companies Act and the relevant laws and regulations of Bermuda is set out in Appendix IV to this prospectus.

2. Changes in share capital of our Company

- (a) As at the date of our incorporation, our Company had an authorised share capital of HK\$50,000 divided into 500,000 Shares of par value of HK\$0.10 each. On 28 November 2011, one nil paid Share was allotted and issued to CC Land.
- (b) On 15 May 2012, the authorised share capital of our Company was increased from HK\$50,000 to HK\$100,000,000 by the creation of additional 999,500,000 Shares of HK\$0.10 each pursuant to a resolution passed by the sole Shareholder of our Company referred to in paragraph 3 below.
- (c) On 15 May 2012, pursuant to a share swap agreement entered into between our Company and CC Land, our Company acquired from CC Land, and CC Land transferred to our Company, the entire issued share capital of Qualipak Development, in consideration and in exchange for which our Company allotted and issued 127,196,161 Shares, all credited as fully paid to CC Land and the existing one nil paid Share held by CC Land was also credited as fully paid.
- (d) As at the Latest Practicable Date, our authorised share capital was HK\$100,000,000 divided into 1,000,000,000 Shares, of which 127,196,162 Shares were issued fully paid or credited as fully paid, and 872,803,838 Shares remained unissued.
- (e) 2,193,832 Shares will be allotted and issued to CC Land, credited as fully paid at par by capitalising and applying a sum of HK\$219,383.20 standing to the credit of the contributed surplus account of our Company on or about 11 July 2012.
- (f) Immediately following the completion of the Distribution and the Share Offer (without taking into account of any options which may be granted under the Share Option Scheme), the authorised share capital of our Company will be HK\$100,000,000 divided into 1,000,000,000 Shares of which 143,765,993 Shares will be allotted and issued, fully paid or credited as fully paid, and 856,234,007 Shares will remain unissued.

Other than pursuant to the exercise of the options which may be granted under the Share Option Scheme, there is no present intention to issue any of the authorised but unissued share capital of our Company and, without the prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Our Company has no founder shares, management shares or deferred shares.

Save as disclosed in this Appendix, there has been no alteration in our share capital since our incorporation.

3. Written resolutions of the sole Shareholder of our Company

(A) Pursuant to the written resolutions of the sole Shareholder of our Company passed on 15 May 2012:

- (a) the authorised share capital of our Company was increased from HK\$50,000 divided into 500,000 Shares of HK\$0.10 each to HK\$100,000,000 divided into 1,000,000,000 Shares of HK\$0.10 each by the creation of an additional 999,500,000 Shares with effect from the Listing Date;

(B) Pursuant to the written resolutions of the sole shareholder of our Company passed on 18 May 2012:

- (i) conditional upon (1) the CC Land Shareholders passing an ordinary resolution to approve the adoption of the Share Option Scheme by our Company; (2) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in any Shares which may fall to be issued and allotted by our Company pursuant to the exercise of options in accordance with the terms and conditions of the Share Option Scheme; and (3) the commencement of dealings in the Shares on the main board of the Stock Exchange:
 - (a) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “E. Share Option Scheme” in this Appendix, were approved and adopted and our Directors or any committee thereof established by the Board were authorised, at their sole discretion, to: (i) administer the Share Option Scheme; (ii) modify/amend the Share Option Scheme from time to time as required by the Stock Exchange; (iii) grant options to subscribe for Shares under the Share Option Scheme up to the relevant limits referred to in the Share Option Scheme; (iv) allot, issue and deal with the Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme; (v) make application at the appropriate time or times to the Stock Exchange for the listing of, and permission to deal in, any Shares or an part thereof that may hereafter from time to time be issued and allotted pursuant to the exercise of any options granted under the Share Option Scheme; and (vi) take all such actions as they consider necessary, desirable or expedient to implement or give effect to the Share Option Scheme.

- (C) Pursuant to the written resolutions of the sole Shareholder of our Company passed on 19 June 2012, approving among other things:
- (a) the Bye-laws were approved and adopted in substitution for and to the exclusion of the existing Bye-laws conditional on the Listing of the Shares on the Stock Exchange on the Listing Date;
 - (b) our Directors are authorised to credit to the contributed surplus account of our Company the excess value of the 10,000 shares of US\$1.00 each in the issued share capital of Qualipak Development acquired over the nominal value of the allotment and issuance of 127,196,161 Shares as consideration of the acquisition of Qualipak Development by our Company, being HK\$35,169,943.75; and capitalise HK\$219,383.20 standing to the credit of the contributed surplus account of our Company and apply the same to pay up in full at par 2,193,832 Shares for allotment and issue to CC Land on 11 July 2012;
 - (c) conditional upon (1) the Listing Committee of the Stock Exchange granting approval of the listing of and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus and (2) the obligations of the Underwriter under the Underwriting Agreement becoming unconditional or waived and the Underwriting Agreement not being terminated in accordance with its terms or otherwise, the Spin-off and the Share Offer were approved and our Directors are authorised to (aa) implement the Spin-off and Share Offer, (bb) to allot and issue the Offer Shares pursuant to the Share Offer and such number of Shares as may be required to be allotted and issued on and subject to the terms and conditions stated in the Prospectus and the relevant Application Forms; and (cc) to do all things and execute all documents in connection with or incidental to the Spin-off and the Share Offer with such modifications, amendments, variations or otherwise as our Directors may consider necessary or appropriate;
 - (d) 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, scrip dividend schemes or similar arrangements in accordance with the Bye-laws, or pursuant to the exercise of any options which have been granted under the Share Option Scheme or any other option scheme or similar arrangement for the time being adopted, Shares with an aggregate nominal amount not exceeding 20% of the aggregate nominal value of the issued share capital of our Company immediately following completion of the Spin-off and the Share Offer (excluding Shares which may be issued pursuant to any options may be granted under the Share Option Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next general meeting of our Company is required by the Bye-laws or any applicable law of Bermuda to be held, or the passing of an ordinary resolution of the Shareholders in a general meeting revoking, varying or renewing such mandate, whichever is the earliest;

- (e) a general unconditional mandate was given to our Directors to exercise all powers of our Company to repurchase Shares 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, with a total nominal value of not more than 10% of the aggregate nominal value of our Company's share capital in issue immediately following completion of the Spin-off and the Share Offer (excluding Shares which may be issued pursuant to any options may be granted under the Share Option Scheme) until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by the Bye-laws or any applicable law of Bermuda to be held, or the passing of an ordinary resolution of the Shareholders in a general meeting revoking, varying or renewing such mandate which is the earliest;
- (f) the extension of the general mandate to allot, issue and deal with the Shares as mentioned in sub-paragraph (d) by the addition to the aggregate nominal value of the share capital of our Company which may be allotted and issued or agreed (conditionally or unconditionally) to be allotted or issued 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 sub-paragraph (e) above, 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 Spin-off and the Share Offer (excluding Shares which may be issued pursuant to any options may be granted under the Share Option Scheme);
- (g) each of the appointment of Dr. Lam How Mun Peter and Mr. Leung Wai Fai as our non-executive Directors and the entering into of each of the appointment letters of our non-executive Directors by our Company with each of Dr. Lam How Mun Peter and Mr. Leung Wai Fai were approved, and the appointment of Dr. Lam How Mun Peter as the chairman of the board of Directors of our Company were approved; and
- (h) each of the appointment of Mr. Chan Sze Hung, Mr. Tam Kwok Fai Paul and Dr. Leung Wai Keung as our independent non-executive Directors and the entering into of each of the appointment letters of our independent non-executive Directors by our Company with each of Mr. Chan Sze Hung, Mr. Tam Kwok Fai Paul and Dr. Leung Wai Keung were approved.

Immediately following the Share Offer becoming unconditional and the issue of Shares as mentioned herein being made, but without taking into account of any options that may be granted pursuant to the Share Option Scheme, the authorised share capital of our Company will be HK\$100,000,000 divided into 1,000,000,000 Shares and the issued share capital will be HK\$14,376,599.30 divided into 143,765,993 Shares, all fully paid or credited as fully paid and 856,234,007 Shares will remain unissued. Other than pursuant to the exercise of any options which may be granted pursuant to the Share Option Scheme, there is no present intention to issue any of the authorised but unissued share capital of our Company and no issue of Shares which would effectively alter the control of our Company will be made without the prior approval of the members of our Company in a general meeting.

4. The Reorganisation

In preparation for the listing of the Shares on the Stock Exchange, the companies comprising our Group underwent the Reorganisation and our Company became the holding company of our Group. For information with regard to the Reorganisation, please refer to the section headed “History, development and corporate reorganisation” in this prospectus.

5. Our subsidiaries

Our subsidiaries are set out in the Accountants’ Report, the text of which is set out in Appendix I to this prospectus.

6. Changes in share capital of our subsidiaries

Save as disclosed in the section headed “History, development and corporate reorganisation” in this prospectus, no alteration in the share capital (or the registered share capital, as the case may be) of any subsidiaries of our Company have taken place within the two years preceding the date of this prospectus.

7. Repurchase by our Company of its own securities

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:

(a) Shareholders’ approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) on the Stock Exchange by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of general mandate or by special approval of a particular transaction.

Note: Pursuant to the written resolutions passed by the sole shareholder of our Company on 19 June 2012, a general unconditional mandate (the “**Repurchase Mandate**”) was given to our Directors authorising any repurchase by our Company of Shares on the Stock Exchange, or on any other stock exchange on which the Shares may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, of up to 10% of the aggregate nominal value of our Company’s share capital in issue immediately following completion of the Spin-off and the Share Offer (excluding Shares which may be issued pursuant to any options may be granted under the Share Option Scheme), such mandate to expire at the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Bye-laws or applicable laws of Bermuda to be held, or when revoked or varied by ordinary resolution of the shareholders of our Company, whichever shall first occur.

(b) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Bye-laws of our Company and the Listing Rules and the applicable laws in Bermuda. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

Any repurchases by our Company may be made out of profits or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Bye-laws and subject to the Companies Act, out of capital and, in the case of any premium payable on the repurchase, out of profits of our Company or out of our Company's share premium account before or at the time our Shares are repurchased or, if authorised by the Bye-laws and subject to the Companies Act, out of capital.

(c) *Connected parties*

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a "connected person", which includes a director, chief executive or substantial shareholder of the company or any of its subsidiaries or their associates and a connected person is prohibited from knowingly selling his securities to the company.

(d) *Reasons for repurchases*

Our Directors believe that it is in the best interests of our Company and our Shareholders as a whole to have general authority from the Shareholders of our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net assets and/or the earnings per Share of our Company and will only be made when our Directors believe that such repurchases will benefit our Company and the Shareholders of our Company as a whole.

(e) *Funding of repurchases*

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Bye-laws, the Listing Rules and the applicable laws of Bermuda.

There could 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 was to be carried out in full at any time during the share repurchase period. 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 the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(f) *General*

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of Bermuda.

No purchase of Shares has been made by our Company within six months prior to the date of this prospectus.

If as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders of our Company acting in concert could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code and the provision may apply as a result of any such increase. Save as disclosed above, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchase pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum shareholding under the Listing Rules).

No connected person of our Company has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

(g) *Exercise of the Repurchase Mandate*

Exercise in full of the Repurchase Mandate, on the basis of 143,765,993 Shares in issue immediately after completion of the Share Offer but taking no account of any options that may be granted pursuant to the Share Option Scheme, could accordingly result in up to 14,376,559 Shares being repurchased by our Company during the course of the period prior to the date on which such Repurchase Mandate expires or terminates as mentioned in the paragraph headed "Written resolutions of the sole Shareholder of our Company" in this Appendix.

B. FURTHER INFORMATION ABOUT THE BUSINESS

1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by us within the two years preceding the date of this prospectus and are, or may be, material:

- (i) a sale and purchase agreement dated 29 December 2011 entered into between Qualipak Development (as vendor) and Mighty Gain (as purchaser), pursuant to which Qualipak Development agreed to transfer all the issued shares it held in CC Land Finance to Mighty Gain for a total consideration of HK\$2.00;
- (ii) a sale and purchase agreement dated 29 December 2011 entered into between Qualipak Manufacturing (as vendor) and Mighty Gain (as purchaser), pursuant to which Qualipak Manufacturing agreed to transfer all the issued shares it held in Mega Praise to Mighty Gain for a total consideration of HK\$2.00;

- (iii) a deed of assignment dated 29 December 2011 entered into among Qualipak Development (as assignor), CC Land (as assignee) and Mega Praise, pursuant to which Qualipak Development agreed to assign to CC Land the Mega Praise Loan in consideration of netting off an equivalent part of the Assignor Loan against the Mega Praise Loan;
- (iv) a sale and purchase agreement dated 29 December 2011 entered into between Qualipak Development (as vendor) and Mighty Gain (as purchaser), pursuant to which Qualipak Development agreed to transfer all the issued shares it held in Global Palace to Mighty Gain for a total consideration of US\$1,000.00;
- (v) a deed of assignment dated 29 December 2011 entered into among Qualipak Development (as assignor), CC Land (as assignee) and Global Palace, pursuant to which Qualipak Development agreed to assign to CC Land the GP Loan in consideration of netting off an equivalent part of the Assignor Loan against the GP Loan;
- (vi) a sale and purchase agreement dated 29 December 2011 entered into between Qualipak Development (as vendor) and Mighty Gain (as purchaser), pursuant to which Qualipak Development agreed to transfer the issued share it held in CC Land Portfolio to Mighty Gain for a total consideration of US\$1.00;
- (vii) a deed of assignment dated 29 December 2011 entered into among Qualipak Development (as assignor), CC Land (as assignee) and CC Land Portfolio, pursuant to which Qualipak Development agreed to assign to CC Land the CC Land Portfolio Loan in consideration of netting off an equivalent part of the Assignor Loan against the CC Land Portfolio Loan;
- (viii) a sale and purchase agreement dated 29 December 2011 entered into between Qualipak Development (as vendor) and Mighty Gain (as purchaser), pursuant to which Qualipak Development agreed to transfer all the issued shares it held in Worthwell to Mighty Gain for a total consideration of US\$50,000.00;
- (ix) a deed of assignment dated 29 December 2011 entered into among Qualipak Development (as assignor), CC Land (as assignee) and Worthwell pursuant to which Qualipak Development agreed to assign to CC Land the Worthwell Loan in consideration of netting off an equivalent part of the Assignor Loan against the Worthwell Loan;
- (x) a sale and purchase agreement dated 29 December 2011 entered into between Qualipak Development (as vendor) and Mighty Gain (as purchaser), pursuant to which Qualipak Development agreed to transfer all the issued shares it held in Ensure Success to Mighty Gain for a total consideration of US\$100.00;
- (xi) a deed of assignment dated 29 December 2011 entered into among Qualipak Development (as assignor), Mighty Gain (as assignee) and Ensure Success, pursuant to which Qualipak Development agreed to assign to Mighty Gain the ES Loan for a total in consideration of HK\$66,612,284.63;

- (xii) a deed of assignment dated 29 December 2011 entered into among Qualipak Manufacturing (as assignor), Ensure Success (as assignee), Qualipak Development and Hoi Tin Universal, pursuant to which Qualipak Manufacturing agreed to assign to Ensure Success the Hoi Tin Loan in consideration of the QDL Loan;
- (xiii) a loan agreement dated 29 December 2011 entered into between Qualipak Development (as lender) and Ensure Success (as borrower), pursuant to which Qualipak Development agreed to advance the QDL Loan to Ensure Success;
- (xiv) a loan agreement dated 24 February 2012 among CC Land (as lender), Mighty Gain (as borrower) and Qualipak Development regarding, amongst others, the advancement of loan of an amount of HK\$67,010,873.42 by CC Land to Mighty Gain and the netting off of the Loan advanced by CC Land to Mighty Gain against the amount equivalent to the CC Land Loan;
- (xv) a deed of waiver of loan dated 24 February 2012 regarding the sum of HK\$43 million out of the CC Land Loan by CC Land in favour of Qualipak Development;
- (xvi) a sale and purchase agreement dated 16 March 2012 entered into between Theme Production (as vendor) and Mighty Gain (as purchaser), pursuant to which Theme Production agreed to transfer the issued share it held in Mighty Gain Investments and MGI Loan to Mighty Gain for a total consideration of HK\$1.00 and HK\$6,449.00 respectively;
- (xvii) a deed of assignment dated 16 March 2012 entered into between Theme Production (as assignor), Mighty Gain (as assignee) and Mighty Gain Investments, pursuant to which Theme Production agreed to assign MGI Loan to Mighty Gain;
- (xviii) a sale and purchase agreement dated 16 March 2012 entered into between Qualipak Development (as vendor) and Mighty Gain (as purchaser), pursuant to which Qualipak Development agreed to transfer all the issued shares it held in Mighty Classique HK and MCHK Loan to Mighty Gain for a total consideration of HK\$2.00 and HK\$22,322.00 respectively;
- (xix) a deed of assignment dated 16 March 2012 entered into between Qualipak Development (as assignor), Mighty Gain (as assignee) and Mighty Classique HK, pursuant to which Qualipak Development agreed to assign MCHK Loan to Mighty Gain;
- (xx) a sale and purchase agreement dated 16 March 2012 entered into between Qualipak Development (as vendor) and Mighty Gain (as purchaser), pursuant to which Qualipak Development agreed to transfer the issued share it held in Mighty Gain Holdings and MGH Loan to Mighty Gain for a total consideration of HK\$1.00 and HK\$20,290.00 respectively;
- (xxi) a deed of assignment dated 16 March 2012 entered into between Qualipak Development (as assignor), Mighty Gain (as assignee) and Mighty Gain Holdings, pursuant to which Qualipak Development agreed to assign MGH Loan to Mighty Gain;

- (xxii) a sale and purchase agreement dated 16 March 2012 entered into between Qualipak Development (as vendor) and Mighty Gain (as purchaser), pursuant to which Qualipak Development agreed to transfer all the issued shares it held in Ablelink and Ablelink Loan to Mighty Gain for a total consideration of US\$100.00 and HK\$636,229.76 respectively;
- (xxiii) a deed of assignment dated 16 March 2012 entered into between Qualipak Development (as assignor), Mighty Gain (as assignee) and Ablelink, pursuant to which Qualipak Development agreed to assign Ablelink Loan to Mighty Gain;
- (xxiv) a sale and purchase agreement dated 16 March 2012 entered into between Qualipak Development (as vendor) and Mighty Gain (as purchaser), pursuant to which Qualipak Development agreed to transfer all the issued shares it held in Magic Hands and MH Loan to Mighty Gain for a total consideration of US\$100.00 and HK\$41,744.00 respectively;
- (xxv) a deed of assignment dated 16 March 2012 entered into between Qualipak Development (as assignor), Mighty Gain (as assignee) and Magic Hands, pursuant to which Qualipak Development agreed to assign MH Loan to Mighty Gain;
- (xxvi) a sale and purchase agreement dated 16 March 2012 entered into between Qualipak Manufacturing (as vendor) and Mighty Gain (as purchaser), pursuant to which Qualipak Manufacturing agreed to transfer all the issued shares it held in Mighty Vision to Mighty Gain for a total consideration of US\$10,000.00;
- (xxvii) an assignment agreement dated 16 March 2012 entered into between Mighty Vision (as assignor), Mighty Gain (as assignee) and Qualipak Manufacturing, pursuant to which Mighty Vision agreed to assign the QM-MV Loan to Mighty Gain in consideration of HK\$59,046.00;
- (xxviii) a sale and purchase agreement dated 16 March 2012 entered into between Qualipak Manufacturing (as vendor) and Mighty Gain (as purchaser), pursuant to which Qualipak Manufacturing agreed to transfer all the issued shares it held in Mighty Gain Wonder to Mighty Gain for a total consideration of US\$10,000.00;
- (xxix) an assignment agreement dated 16 March 2012 entered into between Mighty Gain Wonder (as assignor), Mighty Gain (as assignee) and Qualipak Manufacturing, pursuant to which Mighty Gain Wonder agreed to assign the QM-MGW Loan to Mighty Gain in consideration of HK\$63,425.50;
- (xxx) a sale and purchase agreement dated 16 March 2012 entered into between Qualipak Development (as vendor) and Mighty Gain (as purchaser), pursuant to which Qualipak Development agreed to transfer the issued share it held in Mighty Classique and MC loan to Mighty Gain for a total consideration of US\$1.00 and HK\$28,456.21 respectively;
- (xxxi) a deed of assignment dated 16 March 2012 entered into between Qualipak Development (as assignor), Mighty Gain (as assignee) and Mighty Classique, pursuant to which Qualipak Development agreed to assign the MC Loan to Mighty Gain;

(xxxii) a sale and purchase agreement dated 15 May 2012 entered into between CC Land (as vendor) and our Company (as purchaser), pursuant to which CC Land agreed to transfer all the issued shares it held in Qualipak Development to our Company in consideration of and in exchange for which an aggregate number of 127,196,161 Shares were allotted and issued to CC Land;

(xxxiii) a deed of non-competition dated 21 June 2012 entered into between our Controlling Shareholders, CC Land and our Company pursuant to which certain non-competition arrangements shall be implemented, particulars of which are set forth in the paragraph headed “Relationship with Controlling Shareholders and CC Land — Deed of Non-competition” in this prospectus;

(xxxiv) a deed of indemnity dated 21 June 2012 given by our Controlling Shareholders in favor of our Group in respect of, amongst others, taxation referred to in the subsection headed “Other Information — Tax indemnity and other indemnity” in this Appendix; and

(xxxv) the Underwriting Agreement.

2. Our intellectual property rights

As of the Latest Practicable Date, our Group has registered or has applied for the registration of the following intellectual property rights which are material to our Group’s business.

(a) Trademarks

As of the Latest Practicable Date, member of our Group had registered the following trademarks in Hong Kong which are material to our business:

Trademark	Class	Registered Owner	Place of Registration	Registration Number	Registration Date	Expiry Date
	6	Qualipak Manufacturing	Hong Kong	2000B09539	18 December 1998	18 December 2015
	16, 28	Qualipak Manufacturing	Hong Kong	2000B09540	18 December 1998	18 December 2015
QUALIPAK	6	Qualipak Manufacturing	Hong Kong	2000B10808	18 December 1998	18 December 2015
QUALIPAK	16, 28	Qualipak Manufacturing	Hong Kong	2001B00686	18 December 1998	18 December 2015

(b) Domain names

As of the Latest Practicable Date, member of our Group had registered the following domain name(s) which are material to our business:

Domain Name	Registrant	Expiry Date
qualipakhk.com	Qualipak Manufacturing	15 July 2021
qualipak.com.hk	Qualipak Manufacturing	20 February 2015
qualipakhk.com.hk	Qualipak Manufacturing	1 March 2014

Except as aforesaid, there are no other trade or service marks, patents, other intellectual or industrial property rights which are or may be material in relation to our Group's business.

C. INFORMATION ABOUT OUR PRC SUBSIDIARY

Our Company has the following subsidiary established in the PRC, the basic information of which as at the Latest Practicable Date is set out below:

確利達包裝(中山)有限公司 (Qualipak Packaging (Zhongshan) Co. Ltd.)

Nature:	limited liability company
Date of incorporation:	7 September, 1998
Term:	from 7 September, 1998 to 6 September, 2048
Registered Capital:	HK\$16,000,000
Attributable interest of our Company:	100%
Scope of business:	production and sale of plastic cases, wooden cases, paper cases, iron cases, foiled paper sleeve and related accessory

D. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS**1. Particulars of Directors' service agreements****(a) Executive Directors**

Each of the executive Directors has entered into a service contract with our Company for an initial term of three years with effect from their respective dates of appointment unless terminated by not less than three months' notice in writing served by either the executive Director or our Company. Under their respective service contract, each executive Director (except Mr. Lam Hiu Lo who has no basic salary) is entitled to a fixed basic salary.

(b) Non-executive Directors and independent non-executive Directors

Each of the non-executive Directors and independent non-executive Directors has signed an appointment letter with our Company for a term of three years with effect from their respective dates of appointment subject to termination by not less than one months' notice in writing served by either the non-executive Director/independent non-executive Director or our Company. Under their respective service contract, each of the non-executive Director and independent non-executive Director is entitled to a fixed director's fee.

2. Directors' remuneration

The aggregate remunerations (including discretionary bonuses) paid to the Directors by our Group in respect of three financial years ended 31 December 2009, 2010 and 2011 were about HK\$1.5 million, HK\$1.0 million and HK\$1.0 million, respectively. Our Group also paid certain management fees to CC Land during the Track Record Period for the portion attributable to our Group in sharing, among other things, the salaries of certain directors of CC Land who also oversaw our business during the Track Record Period. Please refer to Note 9 headed "Directors' remuneration" to the Accountants' Report in Appendix I to this prospectus for further details.

Save as disclosed above, no other payments have been made or are payable in respect of the three financial years ended 31 December 2009, 2010 and 2011 by any member of our Group to any of our Directors.

Under the arrangements currently in force, our Company estimates that the aggregate amount of emoluments payable by our Group to our Directors for the year ending 31 December 2012 to be about HK\$2.3 million.

3. Disclosure of Interests

(a) *Interests of the Directors and the Chief Executive of Our Company*

Immediately following completion of the Distribution and the Share Offer (without taking into account any Shares that may be issued and allotted pursuant to options that may be granted under the Share Option Scheme or Shares that may be taken by a person under the Share Offer which would affect disclosure in this section), the interests and short positions of the Directors and chief executive of our Company in the Shares, underlying Shares and debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO), which, once the Shares are listed on the Stock Exchange, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have under such provisions of the SFO), or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, will be as follows:

Interest in the Shares of our Company

Name of Director	Capacity/ Nature of Interest	Number of Shares	Approximate percentage of shareholding interest (%)
Lam How Mun Peter	Personal	15,926	0.01%
Leung Chun Cheong	Personal	32,733	0.02%
Poon Ho Yee Agnes	Personal	5,200	0.00%

(b) *Interests of the Substantial Shareholders*

So far as the Directors are aware, information on the persons, not being Directors or the chief executive of our Company, who will have, immediately following completion of the Distribution and the Share Offer (assuming that all CC Land Qualifying Shareholders take up their respective Assured Entitlement under the Preferential Offer in full, and taking no accounts of any Public Offer Shares which may be taken up by our Controlling Shareholders under the Public Offer and any Shares which may be allotted and issued pursuant to the exercise of options that may be granted under the Share Option Scheme), an interest or short position in the Shares and underlying Shares of our Company which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who is, 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 will be as follows:

(i) *Interest in our Company*

Name of shareholder	Nature of interest	Number of Shares	Approximate percentage of shareholding in our Company immediately after completion of the Distribution and the Share Offer
Mr. Cheung	Interest in controlled corporation	70,997,638 <i>(Notes 1 and 2)</i>	49.38%
Thrivetrade	Beneficial owner	57,109,876 <i>(Note 1)</i>	39.72%
Chongqing Industrial Limited	Interest in controlled corporation	13,887,762 <i>(Note 2)</i>	9.66%
Palin Holdings Limited	Interest in controlled corporation	13,887,762 <i>(Note 2)</i>	9.66%
Yugang	Interest in controlled corporation	13,887,762 <i>(Note 2)</i>	9.66%

Notes:

- (1) 57,109,876 Shares are expected to be held by Thrivetrade, a company wholly-owned by Mr. Cheung. Accordingly, Mr. Cheung is deemed to be interested in the same number of Shares held through Thrivetrade.
- (2) 13,887,762 Shares are expected to be held by Regulator Holdings, a direct wholly-owned subsidiary of Yugang International (B.V.I.) Limited, which is in turn a direct wholly-owned subsidiary of Yugang.

Yugang was owned by Chongqing Industrial Limited (“Chongqing”), Timmex Investment Limited (“Timmex”) and Mr. Cheung as to approximately 34.33%, 9.16% and 0.57% respectively. Chongqing was owned as to 35%, 30%, 5% and 30% by Mr. Cheung, Peking Palace Limited (“Peking Palace”), Miraculous Services Limited (“Miraculous Services”) and Prize Winner Limited (“Prize Winner”) respectively. Mr. Cheung had 100% beneficial interest in Timmex. Prize Winner was beneficially owned by Mr. Cheung and his associates. Peking Palace and Miraculous Services were held by Palin Holdings Limited (“Palin Holdings”) as the trustee for Palin Discretionary Trust, a family discretionary trust, the objects of which included Mr. Cheung and his family.

Each of Mr. Cheung, Palin Holdings, Chongqing and Yugang is therefore deemed to be interested in the same number of Shares to be held through Regulator Holdings.

(ii) Interest in other members of our Group

Name of shareholder(s)	Name of subsidiary of our Company	Number of shares held	Approximate percentage of shareholding in such subsidiary immediately after completion of the Distribution and the Share Offer
Mr. Yee Chan Chian	Theme Production	240,000	24%
Ms. Chow Hoi Yin Riter	Theme Production	250,000	25%

Save as disclosed herein, our Directors are not aware of any person who will, immediately after completion of the Distribution and the Share Offer, have an interest or short position in our Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who will be directly or indirectly, be 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 our Company or any of our Company's subsidiaries, we are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

4. Disclaimers

Except as disclosed in this prospectus:

- (a) none of the Directors or chief executive of our Company has any interests or short positions in the shares, underlying shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange, once the Shares are listed on the Stock Exchange;
- (b) so far as is known to any Director or chief executive of our Company, no person has an interest or short position in the Shares and 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 is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group;

- (c) none of our Directors nor any of the persons listed in the section headed “G. Other Information — 6. Qualifications of experts” below is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;
- (d) none of the our Directors is materially interested in any contract or arrangement with the Group subsisting at the date of this prospectus which is unusual in its nature or conditions or which is significant in relation to the business of the Group;
- (e) save in connection with Underwriting Agreement, none of the persons listed in the section headed “G. Other Information — 6. Qualifications of experts” below has any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;
- (f) save for the Underwriting Agreement, none of the persons listed in the section headed “G. Other Information — 6. Qualifications of experts” below is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group taken as a whole;
- (g) none of our Directors has entered or has proposed to enter into any service agreements with our Company or any member of the Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation);
- (h) so far as is known to our Directors, none of our Directors or their associates or any Shareholder (which to the knowledge of our Directors owns 5% or more of the issued share capital of our Company) has any interest in any of the five largest customers or the five largest suppliers of the Group; and
- (i) none of our Directors are interested in any business apart from the Group’s business which competes or is likely to compete, directly or indirectly, with the business of the Group.

E. SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme, the terms of which are in accordance with the provisions of Chapter 17 of the Listing Rules:

1. Purpose of the Share Option Scheme

- (a) The Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions that Eligible Participants (as defined below) have made or may make to the Group.

- (b) The Share Option Scheme will provide the Eligible Participants with an opportunity to acquire proprietary interests in our Company with a view to achieving the following principal objectives:
 - (i) motivate the Eligible Participants to optimise their performance and efficiency for the benefit of the Group; and
 - (ii) attract and retain or otherwise maintain ongoing business relationship with the Eligible Participants whose contributions are, will or expected to be beneficial to the Group.
- (c) For the purpose of the Share Option Scheme, “**Eligible Participant**” means any person who satisfies the eligibility criteria in paragraph 2.

2. Who may join and basis for determining eligibility

- (a) Subject to the terms and conditions of the Share Option Scheme, options may be granted to: (i) any director, officer, employee, consultant, professional, customer, supplier (whether of goods or services), agent, partner or adviser of or contractor to any member of the Group or its related group or a company in which the Group holds an interest or a subsidiary of such company (“**Affiliate**”); or (ii) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any director, officer, employee, consultant, professional, customer, supplier (whether of goods or services), agent, partner, adviser of or contractor to any member of the Group or its related group or its Affiliate; or (iii) a company beneficially owned by any director, officer, employee, consultant, professional, customer, supplier (whether of goods or services), agent, partner or adviser of or contractor to any member of the Group or its related group or its Affiliate.
- (b) In order for a person to satisfy the Board that he/she/it is qualified to be (or, where applicable, continues to qualify to be) an Eligible Participant, such person shall provide all such information as the Board may request for the purpose of assessing his/her/its eligibility (or continuing eligibility).
- (c) Each grant of options to a connected person (with the meaning ascribed to it under the Listing Rules) of our Company, or any of his associates, must be approved in accordance with the requirements of the Listing Rules.
- (d) Should the Board resolve that a grantee fails/has failed or otherwise is/has been unable to meet the continuing eligibility criteria under the Share Option Scheme, our Company would (subject to any relevant laws and regulations) be entitled to deem any outstanding option or part thereof, granted to such grantee and to the extent not already exercised, as lapsed, subject to the requirements in paragraphs 9 and 11 to 13.

3. Grant of options

- (a) On and subject to the terms of the Share Option Scheme, the Board shall be entitled at any time on a business day within 10 years commencing on the effective date of the Share Option Scheme to make an offer to any Eligible Participant as the Board may in its absolute discretion select in accordance with the eligibility criteria set out in the Share Option Scheme. An offer shall be accepted when we receive, within 14 days from the date of offer, the duly signed offer letter from the grantee together with a non-refundable remittance of HK\$1.00 (or such other nominal sum in any currency as the Board may determine) in favour of the Company as consideration for the grant thereof.
- (b) Subject to the provisions of the Share Option Scheme, the Listing Rules and any relevant laws and regulations, the Board may, on a case by case basis and at its discretion when offering the grant of an option, impose any conditions, restrictions or limitations in relation thereto additional to those expressly set forth in the Share Option Scheme as it may think fit (which shall be stated in the letter containing the offer of the grant of the option) including (without prejudice to the generality of the foregoing):
- (i) the continuing eligibility of the grantee under the Share Option Scheme, and in particular, where the Board resolves that the grantee has failed or otherwise is or has been unable to meet the continuing eligibility criteria, the option (to the extent it has not already been exercised) shall lapse, subject to the requirements in paragraph 9;
 - (ii) the continuing compliance of any such terms and conditions that may be attached to the grant of the option, failing which the option (to the extent that it has not already been exercised) shall lapse unless otherwise resolved to the contrary by the Board, subject to the requirements in paragraph 9;
 - (iii) in the event that the Eligible Participant is a corporation, that any change of the management and/or shareholding of the Eligible Participant shall constitute a failure to meet the continuing eligibility criteria under the Share Option Scheme;
 - (iv) in the event that the Eligible Participant is a trust, that any change of the beneficiary of the Eligible Participant shall constitute a failure to meet the continuing eligibility criteria under the Share Option Scheme;
 - (v) in the event that the Eligible Participant is a discretionary trust, that any change of the discretionary objects of the Eligible Participant shall constitute a failure to meet the continuing eligibility criteria under the Share Option Scheme;
 - (vi) conditions, restrictions or limitations relating to the achievement of operating or financial targets; and

- (vii) if applicable, the satisfactory performance of certain obligations by the grantee.
- (c) The Board shall not offer the grant of an option to any Eligible Participant:
 - (i) after a price sensitive development has occurred or a price sensitive matter has been the subject of a decision, until such price sensitive information has been announced pursuant to the relevant requirements of the Listing Rules; or
 - (ii) within the period commencing one month immediately preceding the earlier of:
 - (1) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and
 - (2) the deadline for our Company to publish an announcement of its result 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. The period during which no option may be granted will cover any period of delay in the publication of a results announcement.
- (d) (i) Any grant of options to any Director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by the independent non-executive Directors of the Company (but excluding, for all purposes, any independent non-executive Director of the Company who is a proposed grantee).
- (ii) Where any grant of options to a substantial shareholder or an independent non-executive Director of the Company or their respective associates would result in the total number of the Shares issued and to be issued upon exercise of the options granted and to be granted (including options exercised, cancelled and outstanding) to such person in any 12-month period up to and including the date of the grant:
 - (a) representing in aggregate over 0.1% of the Shares in issue; and
 - (b) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million,

such further grant of options must be approved by the Shareholders. The Company must send a circular to its Shareholders. All connected persons of the Company must abstain from voting in favour at such general meeting, except that any connected person may vote against the relevant resolution at the general meeting provided that such intention has been stated in the circular. Any vote taken at the meeting to approve the grant of such options must be taken on a poll in accordance with the Listing Rules.

- (iii) The circular referred to in paragraph 3(d)(ii) above must contain:
 - (a) details of the number and terms (including the exercise price) of the options to be granted to each Eligible Participant, which must be fixed before the Shareholders' meeting and the date of Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under paragraph 4;
 - (b) a recommendation from the independent non-executive Directors of the Company (excluding any independent non-executive Director of the Company who is a proposed grantee) on whether or not to vote in favour of the proposed grant; and
 - (c) all the information as required under the Listing Rules from time to time.
- (iv) For the avoidance of doubt, the requirements of paragraph 3(d) for the granting of options to a Director or chief executive of the Company do not apply where the Eligible Participant is only a proposed director or proposed chief executive of the Company.

4. Exercise price

The exercise price at which a grantee may subscribe for any Share upon the exercise of an option under the Share Option Scheme shall be a price determined by the Board and notified to each grantee and shall be not less than the highest of (i) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the date of grant of the relevant option, which must be a business day; (ii) an amount equivalent to the average closing price of a Share as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant of the relevant option and (iii) the nominal value of a Share on the date of grant. The exercise price shall also be subject to any adjustments made in a situation contemplated under paragraph 10.

5 Maximum number of Shares for subscription

- (a) The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes involving the issue or grant of options or similar rights, over the Shares or other securities by our Company must not, in aggregate, exceed 30% of our Shares in issue from time to time. No options may be granted under any schemes of our Company (including the Share Option Scheme) if this will result in the said 30% limit being exceeded.

- (b) The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and any other schemes involving the issue or grant of options or similar rights over the Shares or other securities by our Company shall not, in aggregate, exceed 10% of the Shares in issue as at the date of approval of the Share Option Scheme in accordance with the Listing Rules, being 12,719,616 Shares (the “**Scheme Mandate Limit**”) unless Shareholders’ approval has been obtained pursuant to sub-paragraph (d) below.
- (c) The Scheme Mandate Limit may be renewed by the Shareholders in general meeting from time to time provided always that the Scheme Mandate Limit so renewed must not exceed 10% of the Shares in issue as at the date of the approval of such renewal by the Shareholders in general meeting. Upon such renewal, all options granted under the Share Option Scheme and any other share option schemes of our Company (including those exercised, outstanding, cancelled, lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) prior to the approval of such renewal shall not be counted for the purpose of calculating the Scheme Mandate Limit as renewed. A circular must be sent to the Shareholders containing such relevant information from time to time as required by the Listing Rules.
- (d) The Board may seek separate shareholders’ approval in general meeting to grant options beyond the Scheme Mandate Limit provided that the options in excess of the Scheme Mandate Limit are granted only to the Eligible Participants specifically identified by our Company before such approval is sought and our Company must issue a circular to the Shareholders containing such relevant information from time to time as required by the Listing Rules in relation to any such proposed grant to such Eligible Participants.
- (e) No option may be granted to any Eligible Participant which, if exercised in full, would result in the total number of Shares issued and to be issued upon exercise of the options already granted or to be granted to such Eligible Participant under the Share Option Scheme (including exercised, cancelled and outstanding options) in any 12-month period up to and including the date of such grant exceeding 1% in aggregate of the Shares in issue as at the date of such grant. Any grant of further options above this limit shall be subject to certain requirements provided under the Listing Rules.
- (f) The maximum number of Shares referred to in paragraph 5 shall be adjusted, in such manner as our Company’s auditors or our Company’s independent financial adviser shall confirm in writing that the adjustments satisfy the requirements set forth in paragraph 10.

6. Time of exercise of option

- (a) Subject to certain restrictions contained in the Share Option Scheme, an option may be exercised in accordance with the terms of the Share Option Scheme and the terms of grant thereof at any time during the applicable option period, which is not more than 10 years from the date of grant of option.

- (b) At the time of granting any option, the Board may, on a case by case basis, make such grant subject to such conditions, restrictions or limitations including (without limitation) those in relation to the minimum period of the options to be held and/or the performance targets to be achieved as the Board may determine in its absolute discretion.

7. Rights are personal to grantee

An option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any option.

8. Rights on ceasing to be an Eligible Participant

Should the Board resolve that a grantee fails/has failed or otherwise is/has been unable to meet the continuing eligibility criteria under the Share Option Scheme, our Company would (subject to any relevant laws and regulations) be entitled to deem any outstanding option or part thereof, granted to such grantee and to the extent not already exercised, as lapsed, subject to the requirements of paragraphs 9 and 11 to 13.

9. Rights on death/ceasing employment

- (a) If the grantee (being an individual) dies before exercising the option in full, his or her legal personal representative(s) may exercise the option up to the grantee's entitlement (to the extent exercisable as at the date of his or her death and not exercised) within a period of 12 months following his or her death or such longer period as the Board may determine.
- (b) Subject to sub-paragraphs (c), (d) and (e), if the grantee who is an employee of the Group, its related group or an Affiliate ceases to be an employee of any of them for any reason other than his or her death, disability or the termination of his or her employment on one or more of the following grounds specified in paragraphs 15(e) or (f), the grantee may exercise the option (to the extent exercisable as at the date of the relevant event and not exercised) within 3 months following the date of such cessation, which date shall be the last actual working day whether salary is paid in lieu of notice or not, provided that the transfer of employment of an employee from a member of the Group, its related group or an Affiliate to another member of the Group, its related group or an Affiliate shall not be regarded as a cessation of employment for the purpose of this paragraph.
- (c) If the grantee is an employee, officer, director, consultant, professional, agent, partner, supplier or adviser of or contractor to the Group, its related group or an Affiliate at the time of the grant of the relevant option(s) and his employment or service is terminated on the ground of disability, the grantee may exercise the option (to the extent exercisable as at the date on which such grantee ceases to be an employee, officer, director, consultant, professional, agent, partner, supplier or adviser of or contractor to the Group, its related group or an Affiliate and not exercised) within 6 months following such cessation or such longer period as the Board may determine.

- (d) If the grantee is an employee of the Group, its related group or an Affiliate at the time of the grant of the relevant option(s), in the event that such grantee shall cease to be an employee of any of them but becomes, or continues to be, a consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group, its related group or an Affiliate, then the option (to the extent exercisable as at the date on which such grantee ceases to be an employee and not exercised) shall remain exercisable until its expiry in accordance with the provisions of the Share Option Scheme and the terms and conditions upon which such option(s) is granted unless the Board shall determine to the contrary.
- (e) If the grantee is an employee of the Group, its related group or an Affiliate at the time of the grant of the relevant option(s), in the event that such grantee shall cease to be an employee of any of them but becomes, or continues to be, a director of the Group, its related group or an Affiliate, then the option(s) (to the extent exercisable as at the date on which such grantee ceases to be an employee and not exercised) granted prior to the date of his becoming a director of the Group, its related group or an Affiliate shall remain exercisable until its expiry in accordance with the provisions of the Share Option Scheme and the terms and conditions upon which such option(s) is granted unless the Board shall determine to the contrary.
- (f) If the grantee, who is a director, officer, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group, its related group or an Affiliate but not an employee, ceasing to be a director, officer, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group, its related group or an Affiliate (as the case may be) for any reason other than his or her death or disability (in the case of a grantee being an individual), the option (to the extent exercisable as at the date of such cessation and not exercised) shall be exercised within 3 months following the date of such cessation or such longer period as the Board may determine, provided that the retirement of any director of the relevant member of the Group, its related group or an Affiliate by rotation pursuant to the articles of association or bye-laws of the relevant member at a general meeting of such member, who is re-elected at such general meeting shall not be regarded as a cessation of directorship for the purpose of this paragraph.
- (g) If the grantee is a director of the Group, its related group or an Affiliate at the time of the grant of the relevant option(s), in the event that such grantee shall cease to be a director of any of them but becomes, or continues to be, a consultant or an officer of the Group, its related group or an Affiliate, then the option(s) (to the extent exercisable as at the date on which such grantee ceases to be a director and not exercised) granted prior to the date of his becoming a consultant or an officer of the Group, its related group or an Affiliate shall remain exercisable until its expiry in accordance with the provisions of the Share Option Scheme and the terms and conditions upon which such option(s) is granted unless the Board shall determine to the contrary.

10. Effects of alterations to capital structure

In the event of any alteration in our capital structure (other than an issue of Shares as consideration in respect of a transaction to which our Company is a party) while an option remains exercisable, and such event arises from a capitalisation of profits or reserves, rights issue, consolidation, reclassification, subdivision or reduction of the share capital of our Company, such corresponding alterations (if any) shall be made to the number or nominal amount of Shares subject to the options so far as unexercised; and/or the exercise price; and/or the method of exercise of the options; and/or the maximum number of Shares subject to the Share Option Scheme. Any adjustments required under this paragraph must give a grantee the same proportion of the equity capital as that to which that grantee was previously entitled, but no such adjustments may be made to the extent that Shares would be issued at less than their nominal value or (unless with the prior approval from the Shareholders in general meeting) to the extent that such adjustments are made to the advantage of the grantee. For the avoidance of doubt, the issue of securities as consideration in a transaction may not be regarded as a circumstance requiring adjustment. In respect of any such adjustments, other than any made on a capitalisation issue, the independent financial adviser appointed by our Company or our Company's auditors must confirm to our Directors in writing that the adjustments satisfy the requirements set out in this paragraph.

11. Rights on a takeover

If a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) 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 concert with the offeror) and such offer becomes or is declared unconditional (within the meaning of the Takeovers Code), the grantee shall be entitled to exercise the option (to the extent exercisable as at the date on which the general offer becomes or is declared unconditional and not exercised) in full or in part at any time within 1 month after the date on which the offer becomes or is declared unconditional (within the meaning of the Takeovers Code).

12. Rights on a scheme of arrangement

In the event of a compromise or arrangement between us and our members or creditors being proposed in connection with a scheme for reconstruction or amalgamation of our Company (other than any relocation schemes as contemplated in Rule 7.14(3) of the Listing Rules), we shall give notice thereof to all grantees on the same date as it gives notice of the meeting to our members or creditors to consider such a scheme of arrangement, and thereupon the grantee may, by notice in writing to our Company accompanied by the remittance for the total exercise price payable in respect of the exercise of the relevant option (such notice to be received by our Company not later than 2 business days (excluding any period(s) of closure of our share registers) prior to the proposed meeting) exercise the option (to the extent exercisable as at the date of the notice to the grantee and not exercised) either in full or in part and we shall, as soon as possible and in any event no later than the business day (excluding any period(s) of closure of our share registers) immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise credited as fully paid and registered the grantee as holder thereof.

13. Rights on a voluntary winding up

In the event notice is given by us to our Shareholders to convene a Shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind up us, we shall forthwith give notice thereof to the grantee and the grantee may, by notice in writing to our Company accompanied by the remittance for the total exercise price payable in respect of the exercise of the relevant option (such notice to be received by our Company not later than 2 business days (excluding any period(s) of closure of our share registers) prior to the proposed meeting) exercise the option (to the extent exercisable as at the date of the notice to the grantee and not exercised) either in full or in part and we shall, as soon as possible and in any event no later than the business day (excluding any period(s) of closure of our share registers) immediately prior to the date of the proposed Shareholders' meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise.

14. Rights attaching to Shares upon exercise of an option

Shares to be allotted and issued upon the exercise of an option shall rank pari passu in all respects with the existing fully paid Shares in issue at the date of allotment and accordingly shall entitle the holder of the Shares to participate in all dividends or other distributions paid or made after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be on or before the date of allotment. Any Shares allotted and issued upon the exercise of an option shall not carry voting rights until the name of the grantee has been duly entered into the register of members of our Company as the holder thereof.

15. Lapse of options

An option (to the extent such option has not already been exercised) shall lapse and not be exercisable on the earliest of:

- (a) the expiry of the exercise period;
- (b) the expiry of any of the periods referred to in paragraphs 9 and 11;
- (c) the date of commencement of our Company's winding-up in respect of the situation contemplated in paragraph 13;
- (d) the date when the proposed compromise or arrangement becomes effective in respect of the situation contemplated in paragraph 12;
- (e) the date on which the grantee who is an employee of the Group, its related group or an Affiliate ceases to be an employee of any of them by reason of the termination of his employment on the grounds that he has been guilty of serious misconduct or has been convicted of any criminal offence involving his integrity or honesty;

- (f) the happening of any of the following events, unless otherwise waived by the Board:
 - (i) any liquidator, provisional liquidator, receiver or any person carrying out any similar function has been appointed anywhere in the world in respect of the whole or any part of the asset or undertaking of the grantee (being a corporation);
 - (ii) the grantee (being a corporation) has ceased or suspended payment of its debts, become unable to pay its debts (within a meaning of section 178 of the Companies Ordinance or any similar provisions under the Companies Act) or otherwise become insolvent;
 - (iii) there is unsatisfied judgment, order or award outstanding against the grantee or our Company has reason to believe that the grantee is unable to pay or to have no reasonable prospect of being able to pay his/her/its debts;
 - (iv) there are circumstances which entitle any person to take any action, appoint any person, commence proceedings or obtain any order of the type mentioned in sub-paragraphs (i), (ii) and (iii) above;
 - (v) a bankruptcy order has been made against the grantee or any director of the grantee (being a corporation) in any jurisdiction; or
 - (vi) a petition for bankruptcy has been presented against the grantee or any director of the grantee (being a corporation) in any jurisdiction;
- (g) the date on which a situation as contemplated under paragraph 7 arises;
- (h) the date on which the grantee commits a breach of any terms or conditions attached to the grant of the option, unless otherwise resolved to the contrary by the Board; or
- (i) the date on which the Board resolves that the grantee has failed or otherwise is or has been unable to meet the continuing eligibility criteria as may be prescribed pursuant to paragraph 8.

16. Cancellation of options granted

The Board shall have the absolute discretion to cancel any options granted but not exercised at any time if the grantee so agreed provided that where an option is cancelled and a new option is proposed to be issued to the same grantee, the issue of such new option may only be made with available but unissued Shares in the authorised share capital of our Company, and available ungranted options (excluding for this purpose all the cancelled options) within the limits referred to in paragraph 5.

17. Period of the Share Option Scheme

Options may be granted to Eligible Participants under the Share Option Scheme during the period of 10 years commencing on the effective date of the Share Option Scheme.

18. Alteration to Share Option Scheme and termination

- (a) The Share Option Scheme may be altered in any aspect by resolution of the Board except those specific provisions relating to matters in Rule 17.03 of the Listing Rules (or any other relevant provisions of the Listing Rules from time to time applicable) be altered to the advantage of grantees or prospective grantees except with the prior approval of the Shareholders in general meeting.
- (b) Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature must be approved by the Shareholders in general meeting, except where such alterations take effect automatically under the existing terms of the Share Option Scheme.
- (c) Any change to the authority of the Directors or Share Option Scheme administration in relation to any alterations to the terms of the Share Option Scheme must be approved by the Shareholders in general meeting.
- (d) The amended terms of the Share Option Scheme must continue to comply with the relevant provisions of the Listing Rules as may be amended from time to time.
- (e) We by resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event, no further options will be offered but the provisions of the Share Option Scheme shall remain in force in all other respects Options complying with the provisions of the Listing Rules which are granted during the life of the Share Option Scheme and remain unexpired immediately prior to the termination of the operation of the Share Option Scheme shall continue to be exercisable in accordance with their terms of issue after the termination of the Share Option Scheme.

19. Conditions of the Share Option Scheme

The Share Option Scheme is conditional on and shall take effect subject to the (i) passing of an ordinary resolution by CC Land as the sole shareholder of our Company to approve the adoption of the Share Option Scheme by us; (ii) passing of an ordinary resolution by the CC Land Shareholders to approve the adoption of the Share Option Scheme by us; (iii) Listing Committee of the Stock Exchange granting approval for the listing of and permission to deal in any Shares which may fall to be issued and allotted by our Company pursuant to the exercise of options in accordance with the terms and conditions of the Share Option Scheme; and (iv) commencement of the Listing.

20. Administration of the Share Option Scheme

The Share Option Scheme shall be subject to the administration of the Board or any committee established by the Board from time to time, whose decision (save as otherwise provided in the Share Option Scheme) shall be final and binding on all parties.

21. General

An application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares (in aggregate not exceeding 12,719,616 Shares, being 10% of the Shares in issued as at the date of approval of the Shares Option Scheme in accordance with the Listing Rules) which may be issued pursuant to the exercise of the options which may be granted pursuant to the Share Option Scheme.

As at the Latest Practicable Date, no option had been granted or agreed to be granted by our Company pursuant to the Share Option Scheme.

Details of the Share Option Scheme, including particulars and movements of the options granted during each financial year of our Company, and our employee costs arising from the grant of the options will be disclosed in our annual report.

F. SUMMARY OF THE MATERIAL NON-COMPLIANCE WITH THE COMPANIES ORDINANCE

The following instances of possible non-compliance with sections 111 and 122 of the Companies Ordinance have been identified.

1. Accounts-related non-compliance matters

Name(s) of the Group company(ies)	Details of the non-compliance	Potential maximum penalty/fine	Relevant period of the non-compliance	Reasons for the breach(es)
Qualipak Manufacturing	Failure to lay the audited accounts in the relevant company's annual general meeting and/or failure to lay audited accounts made up to a date falling not more than nine months under section 122 of the Companies Ordinance	Fine of HK\$300,000 and 12 months' imprisonment	The period from the date of its incorporation on 24 January 1989 to 31 March 1990, the period from 1 April 1990 to 30 September 1990, the financial years ended 30 September 1991 and 30 September 1993 respectively	Due to unintended and inadvertent omission of the then officers who were responsible for company secretarial and corporate administrative matters to arrange for audits of Qualipak Manufacturing within the time period as provided for under the Companies Ordinance

2. AGM-related non-compliance matters

Name(s) of the Group company(ies)	Details of the non-compliance	Potential maximum penalty/fine	Relevant period of the non-compliance	Reasons for the breach(es)
Qualipak Manufacturing	Failure to hold valid annual general meeting pursuant to section 111 of the Companies Ordinance	Fine of HK\$300,000 and 12 months' imprisonment	1991 and 1994	Due to unintended and inadvertent omission of the then officers who were responsible for company secretarial and corporate administrative matters to arrange for audits of Qualipak Manufacturing within the time period as provided for under the Companies Ordinance

G. OTHER INFORMATION

1. Tax indemnity and other indemnity

Our Controlling Shareholders have, pursuant to a deed of indemnity referred to in the paragraph headed “Summary of material contracts” under the section headed “B. Further information about the business” in this Appendix, jointly and severally given indemnities in favour of our Company (for ourselves and as trustee for our subsidiaries) in connection with, among other things:

- (a) Hong Kong estate duty which might be payable by any member of our Group by virtue of section 35 of the Estate Duty Ordinance, Chapter 111 of the Laws of Hong Kong (or the equivalent thereof under the laws of any jurisdiction outside Hong Kong) or under the provisions of section 43 of the Estate Duty Ordinance, Chapter 111 of the laws of Hong Kong (or the equivalent thereof under the laws of any jurisdiction outside Hong Kong) on or before the date on which the conditions stated in the paragraph headed “Structure and Conditions of the Share Offer — Conditions of the Share Offer” in this prospectus being fulfilled (the “**Effective Date**”);
- (b) taxation falling on our Group resulting from or relating to or in consequence of or by reference to any income, profits or gains earned, accrued or received (or deemed to be so earned, accrued or received) by our Group on or before the Effective Date including all such taxation falling on any member of our Group resulting from, or relating to, or in consequence of, or by reference to any events occurring or deemed to occur on or before the Effective Date;

- (c) any taxation falling on any of the PRC Processing Factories resulting from, or relating to, or in consequence of, or by reference to any income, profits or gains earned, accrued or received (or deemed to be so earned, accrued or received) by such PRC Processing Factory on or before the Effective Date, but only if and to the extent any member of our Group is actually liable to pay for such taxation, including all such liabilities to pay for taxation falling on any member of our Group resulting from, or relating to, or in consequence of, or by reference to any events occurring or deemed to occur on or before the Effective Date; and
- (d) all claims, actions, taxation, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses and fines falling on any member of our Group directly or indirectly resulting from, or relating to or in consequence of: -
 - (i) the Reorganisation;
 - (ii) the illegality or invalidity of any of the lease agreements and/or the lease thereunder in respect of, or any unlawful use of, the leased real properties in the PRC incurred or suffered by any member of our Group or the PRC Processing Factories on or before the Effective Date;
 - (iii) any pending or potential litigations incurred or suffered by any member of our Group or the PRC Processing Factories resulting from, relating to, or in consequence of, any event occurring or deemed to occur on or before the Effective Date; and
 - (iv) any possible or alleged violation or breach or non-compliance by any member of our Group or the PRC Processing Factories with any Hong Kong or the PRC laws or regulations or any law or regulation in any relevant jurisdiction on all matters on or before the Effective Date which include, without limitation to, (aa) the Companies Ordinance; (bb) the requirement to obtain all relevant licenses, approvals, permit and certificates for conducting its business (including but not limited to any failure to comply with the PRC customs laws and regulations, any failure to obtain any required licenses, approvals, permit or certificates from any local PRC customs authorities in respect of the sub-contracting arrangements of Zhongshan Processing Factory); and (cc) the PRC laws and regulations in relation to the contribution to employees social welfare scheme (including but not limited to any failure of Zhongshan Processing Factory and/or Guanlan Processing Factory to make full social insurance and/or housing provident fund contributions for any of their respective employees as required under the relevant PRC laws and regulations).

The aforesaid deed of indemnity is conditional on the conditions set out in the paragraph headed “Structure and Conditions of the Share Offer — Conditions of the Share Offer” in this prospectus being fulfilled.

2. Litigation

As of the Latest Practicable Date, save as disclosed in this prospectus, neither our Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance is known by the Directors to be pending or threatened by or against any member of our Group.

3. Promoters

Our Company has no promoter for the purpose of the Listing Rules.

4. Application for listing of Shares

The Sole Sponsor has made an application for and on behalf of our Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, and any Shares which may fall to be issued pursuant to the exercise of any options that may be granted under the Share Option Scheme.

5. Preliminary expenses

The preliminary expenses of our Company are estimated to be about HK\$47,000, and are payable by our Company.

6. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained, or referred to, in this prospectus:

Name	Qualification
Haitong International Capital Limited	Licensed corporation to carry on Type 6 (advising on corporate finance) regulated activity for the purpose of SFO
GFE Law Office	Legal adviser to our Company as to PRC laws
DTZ Debenham Tie Leung Limited	Property valuer
Ernst & Young	Certified public accountants
Ernst & Young Tax Services Limited	Tax advisers to our Company
Conyers Dill & Pearman	Attorneys-at-law to our Company as to Bermuda laws
Deacons	Legal adviser to our Company as to Hong Kong laws

7. Consents of experts

Each of the experts whose names are set out in paragraph 6 above has given and has not withdrawn its written consent to the issue of this prospectus with inclusion of its report and/or letter and/or valuation certificate(s) and/or legal opinion (as the case may be) and the references to its name included in the form and context in which they are respectively included.

None of the experts named above has any shareholding interests in our Company or 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 our Company or any member of our Group.

8. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

9. Miscellaneous

- (a) Except as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
 - (i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid for either cash or a consideration other than cash;
 - (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries;
 - (iv) no commission has been paid or payable (except commissions to the Underwriter) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any Shares; and
 - (v) no founders or management or deferred shares or debentures of our Company or any of our subsidiaries have been issued or agreed to be issued.
- (b) The Directors confirm that there has not been any interruption in the business of our Group which may have or have had a material adverse effect on the financial position of our Group in the 12 months preceding the date of this prospectus.
- (c) No company within our Group is presently listed on any stock exchange or traded on any trading system.
- (d) All necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement.
- (e) There is no arrangement under which future dividends are waived or agreed to be waived.
- (f) Subject to the provisions of the Companies Act, the register of members of our Company will be maintained in Hong Kong by Tricor Secretaries Limited.

**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG
AND THE REGISTRAR OF COMPANIES IN BERMUDA**

The documents attached to the copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were copies of the **WHITE**, **YELLOW**, **GREEN** and **BLUE** Application Forms, the written consents referred to in the paragraph headed “Consents of experts” of Appendix V to this prospectus and copies of each of the material contracts set out in the paragraph headed “Summary of material contracts” in Appendix V to in this prospectus.

The documents attached to the copy of this prospectus and delivered to the Registrar of Companies in Bermuda for filing were copies of the Application Forms.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Deacons, 5th Floor, Alexandra House, 18 Chater Road, Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (1) the Memorandum of Association and the Bye-laws;
- (2) the Accountants’ Report prepared by Ernst & Young, the text of which is set out in Appendix I to this prospectus;
- (3) the audited financial statements as have been prepared for the companies now comprising our Group for each of the three years ended 31 December 2011;
- (4) the letter received from Ernst & Young on unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;
- (5) the letter, summary of valuation and valuation certificates relating to the property interests of our Group prepared by DTZ Debenham Tie Leung Limited, the texts of which are set out in Appendix III to this prospectus;
- (6) the material contracts set out in the paragraph headed “Summary of material contracts” in Appendix V to this prospectus;
- (7) the service contracts with our Directors set out in the paragraph headed “Particulars of Directors’ service agreements” in Appendix V to this prospectus;
- (8) the written consents set out in the paragraph headed “Consents of experts” in Appendix V to this prospectus;
- (9) the PRC legal opinions prepared by GFE Law Office, our legal adviser as to PRC laws, in respect of certain aspects of our Group and our property interests;

- (10) the letter of advice prepared by Conyers Dill & Pearman, our legal adviser as to Bermuda laws, summarising certain aspects of Bermuda company law referred to in Appendix IV to this prospectus;
- (11) the letter of advice prepared by Conyers Dill & Pearman, our legal adviser as to Bermuda laws, in respect of the fractional entitlements under the Distribution;
- (12) the letter of advice prepared by Ernst & Young Tax Services Limited, our tax adviser, in respect of Qualipak Manufacturing's application of DIPN 21;
- (13) the letter of advice prepared by Deacons, our legal adviser as to Hong Kong laws, in respect of certain aspects of our Group;
- (14) the Companies Act;
- (15) the rules of the Share Option Scheme; and
- (16) the Ipsos Report.