Yes!Star

巨星國際控股有限公司
YESTAR INTERNATIONAL HOLDINGS COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code：2393

Sole Sponsor

海通國際 HAITONG

Sole Global Coordinator

海通國際 HAITONG

Joint Bookrunners and Joint Lead Managers

海通國際 HAITONG

中國銀河國際 CHINA GALAXY INTERNATIONAL

GLOBAL OFFERING

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

Yes!Star

Yestar International Holdings Company Limited
巨星國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares	**:**	**112,500,000 Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	**:**	**11,250,000 Shares (subject to adjustment)**
Number of International Placing Shares	**:**	**101,250,000 Shares (subject to adjustment and the Over-allotment Option)**
Maximum Offer Price	**:**	**HK$1.55 per Offer Share payable in full on application in Hong Kong dollars, plus brokerage of 1%, SFC transaction levy of 0.003%, and Stock Exchange trading fee of 0.005%, subject to refund**
Nominal value	**:**	**HK$0.10 per Share**
Stock code	**:**	**2393**

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中國銀河國際 CHINA GALAXY INTERNATIONAL

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

A copy of this Prospectus, having attached thereto the documents specified in the section headed "Documents delivered to the Registrar of Companies and available for public inspection in Hong Kong — Documents delivered to the Registrar of Companies in Hong Kong" in Appendix V to this Prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this Prospectus or any of the other documents referred to above.

The Offer Price is expected to be fixed by agreement among the Sole Global Coordinator (for itself and on behalf of the other Underwriter) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Thursday, 3 October 2013 and, in any event, not later than Friday, 4 October 2013. If, for any reason, the Offer Price is not agreed between our Company and the Sole Global Coordinator (for itself and on behalf of the other Underwriter) on or before the Price Determination Date, the Global Offering will not proceed. The Offer Price will be not more than HK$1.55 per Offer Share and is currently expected to be not less than HK$1.11 per Offer Share unless otherwise announced. Investors applying for Hong Kong Offer Shares must pay, on application, the maximum Offer Price of HK$1.55 for each Offer Share together with brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%.

The Sole Global Coordinator, for itself and on behalf of the other Underwriter, may, with the consent of our Company, reduce the indicative Offer Price range and/or the number of Offer Shares below that stated in this Prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, announcement of the reduction in the number of Offer Shares and/or the indicative Offer Price range will be published in the *South China Morning Post* (in English) and *the Hong Kong Economic Times* (in Chinese) and on our Company's website at www.yestarcorp.com and the website of the Stock Exchange at www.hkexnews.hk not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering.

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

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure applicants for the subscription for, the Offer Shares, are subject to termination by the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriter) if certain circumstances or grounds arise prior to 8:00 a.m. on the day that trading in the Shares is expected to commence on the Stock Exchange. Such circumstances are set out in the section headed "Underwriting — Underwriting arrangements and expenses — Hong Kong Public Offering — Grounds for termination" in this Prospectus. It is important that you read that section carefully before making any investment.

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

No information on any website forms part of this Prospectus.

27 September 2013

If there is any change in the following expected timetable, our Company will issue an announcement to be published in English in the South China Morning Post and in Chinese in the Hong Kong Economic Times.

	Date[1]
Latest time to complete electronic applications under **HK eIPO White Form** service through the designated website **www.hkeipo.hk**[(Note 4)]	11:30 a.m. on Thursday, 3 October, 2013
Application Lists open[(Note 2)]	11:45 a.m. on Thursday, 3 October, 2013
Latest time for lodging **WHITE** and **YELLOW** Application Forms and giving **electronic application instructions** to HKSCC[(Note 3)]	12:00 noon on Thursday, 3 October, 2013
Latest time to complete payment of **HK eIPO White Form** applications by effecting internet transfer(s) or PPS payment transfer(s)	12:00 noon on Thursday, 3 October, 2013
Application Lists close[(Note 2)]	12:00 noon on Thursday, 3 October, 2013
Expected Price Determination Date[(Note 5)]	Thursday, 3 October, 2013
Announcement of the Offer Price, the indication of the level of interest in the International Placing, the level of applications in the Hong Kong Public Offering and the basis of allotment of the Hong Kong Offer Shares to be published on our Company's website at www.yestarcorp.com and the website of the Stock Exchange at www.hkexnews.hk on or before	Thursday, 10 October, 2013
Hong Kong Identity Card/passport/Hong Kong business registration numbers of successful applicants (where applicable) will be made available through a variety of channels as described in the section headed "How to apply for Hong Kong Offer Shares — Publication of results" in this Prospectus on	Thursday, 10 October, 2013
Results of allocations in the Hong Kong Public Offering will be available at www.tricor.com.hk/ipo/result with a "search by ID" function	Thursday, 10 October, 2013

Despatch of share certificates or deposit of the Share certificates into CCASS in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering	Thursday, 10 October, 2013
Despatch of white form e-Auto Refund payment instructions/refund cheques in respect of wholly successful (if applicable) and wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering*(Notes 6 and 7)*	Thursday, 10 October, 2013
Listing Date	Friday, 11 October 2013

Notes:

(1) All times refer to Hong Kong local time. Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this Prospectus.

(2) If there is a "black" rainstorm warning or a tropical cyclone warning signal number eight or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 3 October 2013, the Application Lists will not open or close on that day. Further information is set out in the section headed "How to apply for Hong Kong Offer Shares — Effect of bad weather on the opening of the Application Lists" in this Prospectus.

(3) Applicants who apply by giving electronic application instructions to HKSCC should refer to the section headed "How to apply for Hong Kong Offer Shares — Applying by giving electronic application instructions to HKSCC via CCASS" in this Prospectus.

(4) You will not be permitted to submit your application 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 at or before 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the Application Lists close.

(5) Please note that the Price Determination Date, being the date on which the final Offer Price is to be determined, is excepted to be on or around Thursday, 3 October 2013 and, in any event, not later than Friday, 4 October 2013. Notwithstanding that the Offer Price may be fixed at below the maximum Offer Price of HK$1.55 per Offer Share, applicants who apply for the Hong Kong Offer Shares must pay on application the maximum Offer Price of HK$1.55 per Offer Share plus brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% but will be refunded the surplus application monies as provided in the section headed "How to apply for Hong Kong Offer Shares — Refund of application monies" and the section headed "How to apply for Hong Kong Offer Shares — Despatch/Collection of Share certificates and refund monies" in this Prospectus.

(6) e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications and in respect of successful applications if the Offer Price as finally determined is less than the price payable on application. Part of your Hong Kong Identity Card number/passport number, or, if you are joint applicants, part of the Hong Kong Identity Card number/passport number of the first-named applicant provided by you may be printed on your refund cheque, if any. Such data may also be transferred to a third party for refund purposes. Your banker may require verification of your Hong Kong Identity Card number/passport number before encashment of your refund cheque, if any. Inaccurate completion of your Hong Kong Identity Card number/passport number may lead to a delay in encashment of, or may invalidate, your refund cheque.

(7) Applicants who apply on **WHITE** Application Forms or **HK eIPO White Form** for 1,000,000 Shares or more under the Hong Kong Public Offering and have indicated in their Application Forms that they wish to collect refund cheques and (where applicable) share certificates in person from the Hong Kong Branch Share Registrar may collect refund cheques and (where applicable) share certificates in person from the Hong Kong Branch Share Registrar from 9:00 a.m. to 1:00 p.m. on Thursday, 10 October 2013. Identification and (where applicable) authorization documents acceptable to the Hong Kong Branch Share Registrar must be produced at the time of collection.

Applicants who apply on **YELLOW** Application Forms for 1,000,000 Shares or more under the Hong Kong Public Offering and have indicated in their Application Forms that they wish to collect refund cheques in person may collect their refund cheques (if any) but may not elect to collect their share certificates, which will be deposited into CCASS for credit to their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedure for collection of refund cheques for applicants who apply on **YELLOW** Application Forms is the same as that for **WHITE** Application Form applicants.

Uncollected share certificates and refund cheques will be despatched by ordinary post (at the applicants' own risk) to the addresses specified in the relevant Application Forms. Further information is set out in the section headed "How to apply for Hong Kong Offer Shares — Refund of application monies" and "How to apply for Hong Kong Offer Shares — Despatch/Collection of Share certificates and refund monies" in this Prospectus.

Share certificates for the Offer Shares will only become valid certificates of title at 8:00 a.m. (Hong Kong time) on the Listing Date provided that (i) the Global Offering has become unconditional and (ii) the right of termination as described in the section headed "Underwriting — Underwriting arrangements and expenses — Hong Kong Public Offering — Grounds for termination" in this Prospectus has not been exercised thereto and has lapsed. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.

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You should rely only on the information contained in this Prospectus and the Application Forms to make your investment decision. Our Company has not authorized anyone to provide you with information that is different from what is contained in this Prospectus. Any information or representation not made in this Prospectus must not be relied on by you as having been authorized by our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, employees, agents or professional advisers or any other person or party involved in the Global Offering.

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This summary aims at giving you an overview of the information contained in this Prospectus. Because this is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk factors" in this Prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

Fujifilm Group is our important business partner. During FY2010, FY2011, FY2012 and the five months ended 31 May 2013, purchases from Fujifilm Group (excluding purchases attributable to FMCG) amounted to about 84.2%, 88.8%, 96.6% and 96.3% of our total purchases for the corresponding periods, respectively. During FY2010, FY2011, FY2012 and the five months ended 31 May 2013, our revenue attributable to Fujifilm Group represented about 7.6%, 31.0%, 31.4% and 50.2% of our total revenue for the corresponding periods, respectively. During FY2010 and FY2011, we also derived marketing service income from Fujifilm Group of about RMB6.9 million and RMB6.6 million, respectively. During the Track Record Period, other than some FMCG products, over 99% of our revenue was derived from products which were sourced from Fujifilm Group or the principal material of which were sourced from Fujifilm Group. Subject to market or other unanticipated changes beyond our control, based on our current plans, we currently expect that our reliance on Fujifilm Group is not likely to reduce in the near future.

We are one of the leading providers of color photographic paper in the PRC and a provider of a broad range of imaging products in the PRC. We process color photographic paper, various image printing films and medical imaging films into ready-to-use form by cutting and slitting master rolls into customized sizes and packaging the products under precisely controlled processing conditions.

We are also the most important business partner of Fujifilm Group for color photographic paper and Fujifilm color films in the PRC. We have been recognized by Fujifilm Group as the largest authorized distributor of Fujifilm color photographic paper and Fujifilm color films in the PRC since May 2007 and the largest authorized processor of Fujifilm color photographic paper and Fujifilm color films into ready-to-use form in the PRC since June 2009. In June 2013, we were appointed by Fujifilm China Investment (a member of Fujifilm Group) as the sole and exclusive distributor of Fujifilm color photographic paper in the PRC. According to the Frost & Sullivan Report, Fujifilm color photographic paper had the largest market share both in terms of revenue and volume in the PRC market during 2009 to 2012. Based on the statistics in the Frost & Sullivan Report, the color photographic paper market in the PRC grew at a CAGR of about 11.7% by revenue from 2009 to 2012, while sales of Fujifilm color photographic paper in the PRC market grew at a CAGR of about 13.9% by revenue in the same period, thus exceeding the overall growth of the PRC color photographic paper market. We also distribute other photo-related products and document printing products of Fujifilm Group.

Having established a strong market position in the photo imaging market in the PRC, we diversified our product offering and tapped into the medical imaging industry by processing and selling Fujifilm medical dry film to Fujifilm Group in the PRC in 2010. According to the Frost & Sullivan Report, Fujifilm medical dry film had the fourth largest market share in the PRC market in 2012. Leveraging on our capability to process and sell imaging products, we successfully applied the know-how for processing of dental film and industrial NDT x-ray film and started to sell them under our own Yes!Star brand in the PRC in 2011. In 2012, we began to process Fujifilm PWB film and Fujifilm medical wet film and began to sell these products to Fujifilm Group. We are recognized by Fujifilm Group as its largest authorized processor of Fujifilm PWB film, Fujifilm medical dry film and Fujifilm medical wet film into ready-to-use form in the PRC. We possess sophisticated processing capabilities and quality control, which help enhancing our cost control and bargaining power. During the Track Record Period, we also engaged in the sales of fast-moving consumer goods comprising personal care products, cosmetics and baby products of various brands. To focus on our core business lines, we effectively ceased to operate our fast-moving consumer goods business in December 2011.

PRODUCTS

Our products are categorized into two segments, namely (1) image printing products and (2) medical imaging products. A summary of our main products during the Track Record Period is set out below:

Image printing products segment

	Brands	Customers
Color photographic paper • Sales and processing of minilab (color photographic paper smaller than 12 inches) and professional (color photographic paper normally no less than 12 inches)	Fujifilm	Wholesalers and end users, namely, image printing shops and professional photo processing labs
Industrial imaging products • Sales of industrial NDT x-ray film • Sales and processing of industrial NDT x-ray film	 Fujifilm Yes!Star	Wholesalers and end users, such as industrial goods quality inspection companies
• Sales and processing of PWB film	Fujifilm	Fujifilm Group
Other image printing products • Sales and/or processing of other photo-related products of Fujifilm Group (including sale and processing of color film, sales of photofinishing equipment and consumables, mini instant cameras and various photo imaging products)	Fujifilm	Image printing shops and professional photo processing labs
• Sales of Fujifilm Group's document printing equipment and consumables	Fuji Xerox, Acuity	Image printing shops
FMCG *(Note)* • Sales of FMCG (effectively ceased in December 2011)	Astalift and other brands	Retailers

Note: Since the revenue attributable to our FMCG business is not material and we are no longer engaged in such businesses, their revenue figures have been included in the image printing products segment for financial reporting purposes.

Medical imaging products segment

	Brands	Customers
• Sales and processing of medical dry film	Fujifilm	Fujifilm Group
• Sales and processing of medical wet film	Fujifilm	Fujifilm Group
• Sales and processing of dental film	Yes!Star	Wholesalers, hospitals and clinics

During the Track Record Period, we converted master rolls of PWB film purchased from Fujifilm Group into specified sizes for sale to Fujifilm Group, and we converted master rolls of medical dry film and medical wet film purchased from a member of Fujifilm Group into specified sizes for sale to another member of Fujifilm Group.

The table below sets forth the revenue by product types and percentage contribution of each product type to our total revenue during the Track Record Period:

	FY2010		FY2011		FY2012		Five months ended 31 May 2012		Five months ended 31 May 2013	
	Revenue	% of total	Revenue	% of total	Revenue	% of total	Revenue	% of total	Revenue	% of total
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%
Color photographic paper										
minilab	288,781	55.2	322,339	33.0	329,186	34.4	141,373	38.0	80,921	19.5
professional	150,067	28.7	204,608	20.9	270,285	28.3	107,805	29.0	100,879	24.4
Sub-total of color photographic paper	***438,848***	***83.9***	***526,947***	***53.9***	***599,471***	***62.7***	***249,178***	***67.0***	***181,800***	***43.9***
Medical imaging products	37,314	7.1	303,257	31.0	294,708	30.8	99,122	26.7	174,097	42.1
Industrial imaging products	—	—	34,758	3.6	36,407	3.8	13,049	3.5	49,730	12.0
Other image printing products *(Note 1)*	37,033	7.1	44,061	4.5	25,232	2.7	10,445	2.8	8,397	2.0
Total (excluding FMCG)	**513,195**	**98.1**	**909,023**	**93.0**	**955,818**	**100.0**	**371,794**	**100.0**	**414,024**	**100.0**
FMCG	9,982	1.9	68,075	7.0	—	—	—	—	—	—
Total	**523,177**	**100.0**	**977,098**	**100.0**	**955,818**	**100.0**	**371,794**	**100.0**	**414,024**	**100.0**

Note:

(1) Excluding the revenue from sales of color photographic paper master rolls to the Processing Group, our sales of other image printing products amounted to about RMB23.8 million, RMB22.5 million, RMB25.2 million and RMB8.4 million for FY2010, FY2011, FY2012 and the five months ended 31 May 2013, respectively.

We rely heavily on the brand awareness, quality and market acceptance of Fujifilm Group's products. During FY2010, FY2011, FY2012 and the five months ended 31 May 2013, excluding sales attributable to FMCG, our sales of products under Fujifilm Group's brands accounted for about 100.0%, 96.1%, 95.9% and 96.0% of our revenue for the corresponding period.

The table below sets out our revenue attributable to sales of products to Fujifilm Group and other customers during the Track Record Period:

	FY2010 Revenue RMB'000		FY2011 Revenue RMB'000		FY2012 Revenue RMB'000		Five months ended 31 May 2012 Revenue RMB'000		Five months ended 31 May 2013 Revenue RMB'000	
	Fujifilm Group	*Other customers*	*Fujifilm Group*	*Other customers*	*Fujifilm Group*	*Other customers*	*Fujifilm Group*	*Other customers*	*Fujifilm Group*	*Other customers*
Color photographic paper										
minilab	2,268	286,513	—	322,339	—	329,186	—	141,373	—	80,921
professional	—	150,067	—	204,608	—	270,285	—	107,805	—	100,879
Sub-total of color photographic paper	***2,268***	***436,580***	***—***	***526,947***	***—***	***599,471***	***—***	***249,178***	***—***	***181,800***
Medical imaging products	37,314	—	302,877	380	293,171	1,537	98,489	633	172,944	1,153
Industrial imaging products	—	—	—	34,758	2,041	34,366	—	13,049	34,463	15,267
Other image printing products	12	37,021	—	44,061	4,885	20,347	1,336	9,109	326	8,071
Total (excluding FMCG)	**39,594**	**473,601**	**302,877**	**606,146**	**300,097**	**655,721**	**99,825**	**271,969**	**207,733**	**206,291**
FMCG	—	9,982	—	68,075	—	—	—	—	—	—
Total	**39,594**	**483,583**	**302,877**	**674,221**	**300,097**	**655,721**	**99,825**	**271,969**	**207,733**	**206,291**

The table below sets forth the sales volume and average selling price of our key revenue contributors, namely color photographic paper and medical imaging products, during the Track Record Period:

	FY2010		FY2011		FY2012		Five months ended 31 May 2012		Five months ended 31 May 2013	
	Sales volume	**Average selling price**	**Sales volume**	**Average selling price**	**Sales volume**	**Average selling price**	**Sales volume**	**Average selling price**	**Sales volume**	**Average selling price**
	Sq.m. '000	*RMB/sq.m.*	*Sq.m. '000*	*RMB/sq.m.*	*Sq.m. '000*	*RMB/sq.m.*	*Sq.m'000*	*RMB/sq.m.*	*Sq.m. '000*	*RMB/sq.m.*
Color photographic paper										
minilab	22,605	12.8	23,774	13.6	22,227	14.8	9,576	14.8	5,380	15.0
professional	11,112	13.5	14,396	14.2	17,830	15.2	7,147	15.1	6,561	15.4
Sub-total of color photographic paper	**33,717**	**13.0**	**38,170**	**13.8**	**40,057**	**15.0**	**16,723**	**14.9**	**11,941**	**15.2**
Medical imaging products	765	48.8	6,453	47.0	6,424	45.9	2,144	46.2	4,115	42.3

The average selling price of medical imaging products decreased (i) from FY2010 to FY2011 primarily due to decrease in selling price of medical dry film offered to our customer since around June 2011 because of increase in purchase volume from the customer in FY2011, (ii) from FY2011 to FY2012 primarily due to the lower average selling price of our newly launched medical wet film in late 2012 as compared with the average selling price of medical dry film, and (iii) from the five months ended 31 May 2012 to the five months ended 31 May 2013 primarily due to lower average selling price of medical wet film as compared with the average selling price of medical dry film.

The following table sets forth our gross profit and gross profit margin by product type and the percentage contribution of each product type to our gross profit for the years/periods indicated:

	FY2010			FY2011			FY2012			Five months ended 31 May 2012			Five months ended 31 May 2013		
	Gross profit	% of total	Gross profit margin	Gross profit	% of total	Gross profit margin	Gross profit	% of total	Gross profit margin	Gross profit	% of total	Gross profit margin	Gross profit	% of total	Gross profit margin
	RMB'000	*%*	*%*	*RMB'000*	*%*	*%*	*RMB'000*	*%*	*%*	*RMB'000*	*%*	*%*	*RMB'000*	*%*	*%*
Color photographic paper															
minilab	42,204	49.5	14.6	53,152	32.5	16.5	57,868	34.6	17.6	30,393	42.1	21.5	15,569	21.1	19.2
professional	28,438	33.3	19.0	40,594	24.8	19.8	58,303	34.8	21.6	27,470	38.1	25.5	24,728	33.6	24.5
Sub-total of color photographic paper	***70,642***	***82.8***	***16.1***	***93,746***	***57.3***	***17.8***	***116,171***	***69.4***	***19.4***	***57,863***	***80.2***	***23.2***	***40,297***	***54.7***	***22.2***
Medical imaging products	5,515	6.5	14.8	42,203	25.8	13.9	39,667	23.7	13.5	9,970	13.8	10.1	26,351	35.8	15.1
Industrial imaging products	—	—	—	9,798	6.0	28.2	6,935	4.2	19.0	3,421	4.7	26.2	6,131	8.3	12.3
Other image printing products	6,296	7.4	17.0	5,474	3.4	12.4	4,537	2.7	18.0	925	1.3	8.9	891	1.2	10.6
Total (excluding FMCG)	**82,453**	**96.7**	**16.1**	**151,221**	**92.5**	**16.6**	**167,310**	**100.0**	**17.5**	**72,179**	**100.0**	**19.4**	**73,670**	**100.0**	**17.8**
FMCG	2,851	3.3	28.6	12,198	7.5	17.9	—	—	—	—	—	—	—	—	—
Total	**85,304**	**100.0**	**16.3**	**163,419**	**100.0**	**16.7**	**167,310**	**100.0**	**17.5**	**72,179**	**100.0**	**19.4**	**73,670**	**100.0**	**17.8**

Although there were increases in material cost of our products, our Directors considered that the year-to-year increase in our gross profit margin during the Track Record Period demonstrated our general ability to transfer the increase in material cost to customers during the Track Record Period, notwithstanding that market competition and demand of customers may at times affect our selling prices and our ability to transfer increase in material cost to our customers.

COOPERATION WITH FUJIFILM GROUP IN RESPECT OF SOME OF OUR PRODUCTS

Our Group, our Controlling Shareholders or the family members of our Chairman have been conducting business with Fujifilm Group since 1971. Over the 42 years, such cooperation has included the processing and/or sales of various imaging products in various countries. We commenced purchase of photo imaging products from Fujifilm Group in 2001. Over the years, the quantity and variety of products of Fujifilm Group processed and/or sold by us have expanded significantly. A summary of some of our master agreements with Fujifilm Group which were in effect as at the Latest Practicable Date is set out below:

Subject matter	Term of contract
Purchase of master rolls of color film and color photographic paper from Fujifilm Group for converting into customized sizes for sale to wholesalers in China pursuant to our master agreement with Fujifilm Corporation	1 January 2012 to 31 March 2015, subject to automatic renewal as more particularly described in the section headed "Business — Cooperation with Fujifilm Group in respect of some of our products" in this Prospectus
Purchase of color photographic paper master rolls pursuant to our master agreements with Fujifilm China Investment	1 April 2012 to 31 March 2015, subject to automatic renewal as more particularly described in the section headed "Business — Cooperation with Fujifilm Group in respect of some of our products" in this Prospectus
Sole and exclusive distribution of color photographic paper in the PRC pursuant to our master agreements with Fujifilm China Investment	10 June 2013 to such date as the relevant CLP MR Purchase Contract expires, and will be extended for such term as the relevant CLP MR Purchase Contract is extended
Purchase of Fujifilm industrial NDT x-ray film for non-exclusive distribution in China	1 April 2013 to 31 March 2014, subject to automatic renewal as more particularly described in the section headed "Business — Cooperation with Fujifilm Group in respect of some of our products" in this Prospectus
Purchase of various photo imaging products for sale in the PRC, including Frontier equipment and relevant accessories, instant photo imaging products, photofinishing chemicals, color photographic paper, thermal photo printers and consumables, and photo album binding machine	1 February 2012 to 31 January 2015, subject to automatic renewal as more particularly described in the section headed "Business — Cooperation with Fujifilm Group in respect of some of our products" in this Prospectus
Pursuant to various authorization letters, Yestar Shanghai has been authorized to sell various Fujifilm photo related products in the PRC, to establish digital photofinishing stores and use the FUJIFILM logo on their signboard, to sublicense other Fujifilm photofinishing stores to use the FUJIFILM logo on their signboard and to use 富士trademark on relevant promotional material	Effective from the dates of the respective authorization letters, until Fujifilm China Investment explicitly terminate or withdraw such authorizations as more particularly described in the section headed "Business — Cooperation with Fujifilm Group in respect of some of our products" in this Prospectus
Purchase of master rolls of PWB film	One year from 1 July 2012, subject to automatic renewal as more particularly described in the section headed "Business — Cooperation with Fujifilm Group in respect of some of our products" in this Prospectus. As confirmed by our Directors, the contract has been extended to 1 July 2014
Sales of PWB film	One year from 3 July 2012, subject to automatic renewal as more particularly described in the section headed "Business — Cooperation with Fujifilm Group in respect of some of our products" in this Prospectus. As confirmed by our Directors, the contract has been extended to 3 July 2014

Subject matter	Term of contract
Purchase of master rolls of medical dry film	One year from 3 September 2010, subject to automatic renewal as more particularly described in the section headed "Business — Cooperation with Fujifilm Group in respect of some of our products" in this Prospectus. As confirmed by our Directors, the contract has been extended to 3 September 2014
Sales of medical dry film	One year from 3 September 2010, subject to automatic renewal as more particularly described in the section headed "Business — Cooperation with Fujifilm Group in respect of some of our products" in this Prospectus. As confirmed by our Directors, the contract has been extended to 3 September 2014
Purchase of master rolls of medical wet film	One year from 3 September 2012, subject to automatic renewal as more particularly described in the section headed "Business — Cooperation with Fujifilm Group in respect of some of our products" in this Prospectus. As confirmed by our Directors, the contract has been extended to 3 September 2014
Sales of medical wet film	One year from 3 September 2012, subject to automatic renewal as more particularly described in the section headed "Business — Cooperation with Fujifilm Group in respect of some of our products" in this Prospectus. As confirmed by our Directors, the contract has been extended to 3 September 2014

We understand from Fujifilm Group that they normally do not enter into long-term contracts or grant exclusive rights in relation to color photographic paper and various imaging films. Although we were not appointed by Fujifilm Group as its exclusive distributor or exclusive processor of any products during the Track Record Period, Fujifilm Group has recognized that since May 2007, nearly all the Fujifilm color photographic paper and Fujifilm color films sold in ready-to-use form in the PRC have been distributed by us and since June 2009, nearly all the Fujifilm color photographic paper processed into ready-to-use form in the PRC have been processed into ready-to-use form by us and continued to be distributed by us. In June 2013, we were appointed by Fujifilm China Investment (a member of Fujifilm Group) as the sole and exclusive distributor of Fujifilm color photographic paper in the PRC. Fujifilm Group has also recognized that currently all the Fujifilm PWB film, Fujifilm medical dry film and Fujifilm medical wet film processed into ready-to-use form in the PRC are processed into ready-to-use form by us. Please refer to the paragraphs headed "Color photographic paper - Our success in enhancing the sales of Fujifilm color photographic paper", "Color photographic paper - Successful record of processing high quality products meeting the requirements of Fujifilm Group", "Medical dry film - Valued business partner and mutual reliance", "Medical wet film - Valued business partner and strategic cooperation for mutual benefits" and "PWB film - Valued business partner and strategic cooperation for mutual benefits" under the subsection headed "Our relationship with Fujifilm Group" in the "Business" section of this Prospectus for further details of the incidents where Fujifilm color photographic paper was distributed and/or processed by other parties in the PRC in the past since May 2007 and June 2009, respectively, and where Fujifilm medical dry film, medical wet film and PWB film were processed by other parties.

OUR RELATIONSHIP WITH FUJIFILM GROUP

From FY2010 to FY2012, our total revenue (excluding revenue attributable to FMCG business) increased at a CAGR of about 36.5% from about RMB513.2 million to about RMB955.8 million. The increase was partly attributable to our sales of medical dry film to Fujifilm Group since the commencement of our medical imaging business in 2010 and the diversification of our revenue source by selling PWB film and medical wet film to Fujifilm Group in 2012. Apart from PWB film, medical dry film and medical wet film, which we sold solely to Fujifilm Group, we also sold an immaterial amount of other products to Fujifilm Group during the Track Record Period. Please refer to other paragraphs in this "Summary" section and the "Business" section for further details of our relationship with Fujifilm Group. Our Directors are also of the view that it is unlikely for Fujifilm Group to terminate its existing business relationship with us relating to the engagement of our Group as its sole distributor of Fujifilm color photographic paper in the PRC and/or their largest processor of Fujifilm color photographic paper, medical wet film, medical dry film and PWB film into ready-to-use form in the PRC.

Our Directors understand that in the unlikely event that Fujifilm Group terminates its engagement of our Group as its sole distributor of Fujifilm color photographic paper in the PRC and/or its largest processor of Fujifilm color photographic paper, medical wet film, medical dry film and PWB film into ready-to-use form in the PRC, it will inform our Group and consult with us before carrying out any such plans with a view to allow sufficient time, which is to be agreed between our Group and Fujifilm Group at the relevant time, for us to make alternative business arrangements and/or implement a contingency plan for the purpose of continuing our business after the termination of the existing business arrangements with Fujifilm Group. We may seek to further assess the market situation and our business needs to make alternative business arrangements. If our business arrangements with Fujifilm Group are terminated, our Directors are of the view that it would be difficult to assess how practicable and/or effective our contingency plans can be put in place to the extent that new suppliers and/or customers can substitute Fujifilm Group completely or partially within the agreed timeframe as there are many variables that can influence the success of such actions. In the event that our contingency plans are not successful, or our current diversification strategies as more particularly described in the section headed "Business — Business Strategies" in this Prospectus are not successful, our business, profitability, performance, financial position and results of operations may be materially adversely affected. Please also see "Risk factors — Risks relating to our business — Risks associated with reliance on Fujifilm Group — Termination and renewal of agreements may affect our business" and "Business — Our relationship with Fujifilm Group" in this Prospectus for further details.

SALES AND MARKETING

Our Directors believe that our successful sales and marketing and channel management strategies have helped Fujifilm color photographic paper to maintain a leading position in the PRC throughout the Track Record Period, as well as helped increasing our market share in the industrial NDT x-ray film market in the PRC rapidly. Other than PWB film, medical dry film and medical wet film which we sell to Fujifilm Group only, we closely monitor our market positioning for our products and conduct detail market research and analysis with the aim to maximizing our profit and maintaining our competitiveness. We mainly sell color photographic paper, industrial NDT x-ray film and dental film to both wholesalers and end users and manage the proportion of our sales to wholesalers and end usersstrategically. The following table sets out the breakdown of our revenue for color photographic paper, our largest revenue contributor, by sales channels during the Track Record Period:

	FY2010		FY2011		FY2012		Five months ended 31 May 2012		Five months ended 31 May 2013	
Minilab color photographic paper	**Revenue**	**% of total**	**Revenue**	**% of total**	**Revenue**	**% of total**	**Revenue**	**% of total**	**Revenue**	**% of total**
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Wholesalers	93,173	32.3	146,214	45.4	204,830	62.2	100,199	70.9	48,753	60.2
End users	195,608	67.7	176,125	54.6	124,356	37.8	41,174	29.1	32,168	39.8
Total	**288,781**	**100.0**	**322,339**	**100.0**	**329,186**	**100.0**	**141,373**	**100.0**	**80,921**	**100.0**

	FY2010		FY2011		FY2012		Five months ended 31 May 2012		Five months ended 31 May 2013	
Professional color photographic paper	**Revenue**	**% of total**	**Revenue**	**% of total**	**Revenue**	**% of total**	**Revenue**	**% of total**	**Revenue**	**% of total**
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Wholesalers	83,300	55.5	108,049	52.8	138,025	51.1	65,175	60.5	38,529	38.2
End users	66,767	44.5	96,559	47.2	132,260	48.9	42,630	39.5	62,350	61.8
Total	**150,067**	**100.0**	**204,608**	**100.0**	**270,285**	**100.0**	**107,805**	**100.0**	**100,879**	**100.0**

Our Directors estimate that during FY2010, FY2011, FY2012 and the five months ended 31 May 2013, we sold color photographic paper, our largest revenue contributor, to about 60, 46, 48 and 24 wholesalers and 827, 667, 374 and 318 end users, respectively. Our Directors believe that the reduction in the number of customers from FY2010 to FY2012 was mainly the result of our efforts to consolidate our customer network and reduce customers with smaller purchase amounts. Our Directors believe that the decrease in customer numbers in the five months ended 31 May 2013 was attributable to our continued network consolidation efforts and decrease in our sales as a result of fierce market competition. Our Directors estimated that out of the abovementioned wholesaler and end user customers, about nil, ten, seven and six of our wholesaler customers in FY2010, FY2011, FY2012 and the five months ended 31 May 2013 were also regarded as end user customers by us during the relevant periods. As far as our Directors understand, such wholesalers of professional color photographic paper may also operate image printing shops, while wholesalers of minilab color photographic paper may also operate professional photo processing labs. As far as our Directors understand, some of our customers may have common or related shareholders and management. Save for PWB film, medical dry film and medical wet film, we generally require full payment from our customers before delivery. We generally determine the price of our products by reference to, amongst others, market prices, cost of raw material, profit margin, sales quantity, payment terms, our sales promotion plans, market demand, competition, our market position and the characteristics of different sales channels, as more particularly described in the "Business" section of this Prospectus.

PROCESSING

We are committed to processing high quality products and implement a stringent quality system throughout the entire processing process, from inspection of raw materials, work-in-progress and finished products to delivery of goods. During most of the Track Record Period, our processing was conducted at a single processing plant. To cope with the anticipated increase in demand, diversify our product offering and enjoy greater economy of scale, we commenced construction of an additional processing plant in March 2012. In around October 2012, we completed part of the first phase construction and began to process PWB film into ready-to-use form at our new processing plant. As at the Latest Practicable Date, our processing lines are situated at two processing plants in Nanning, Guangxi, the PRC.

Outsourcing

We outsourced the processing of some of our Fujifilm color photographic paper to the Processing Group for a few years up to about July 2012. From 2011 to about August 2012, we outsourced the processing of some of our Yes!Star industrial NDT x-ray film to the Processing Group. Our Directors believe that the outsourcing arrangements gave us more flexibility in responding to tight schedules, while at the same time enabled us to uphold the quality of the products. During FY2010 and FY2011, Yestar Technology sold master rolls of color photographic paper to the Processing Group for processing and packaging into color photographic paper which, generally, would be sold to Yestar Shanghai at a price determined by reference to the selling price of the master rolls as well as an agreed subcontracting fee and packaging fee. In January 2012, Yestar Technology entered into a contract with the Processing Group for a term of one year from 6 January 2012 to 5 January 2013, subject to automatic renewal. As confirmed by our Directors, the contract has been extended to 5 January 2014. Pursuant to the annual contract, Yestar Technology supplied master rolls of color photographic paper to the Processing Group for processing of color photographic paper at a prescribed subcontracting fee, as well as a packaging fee based on, amongst others, the amount incurred by the Processing Group for purchasing the relevant packaging materials. Under our annual contract with the Processing Group, the Processing Group shall follow prescribed processing guidelines and perform sample tests on the intermediate and final products based on prescribed requirements. Pursuant to our monthly contracts with the Processing Group for processing Yes!Star industrial NDT x-ray film, we supplied master rolls and packaging material to the Processing Group for processing, and the subcontracting fees payable to the Processing Group may be partly set off by the prescribed net value of silver that may be extracted from the scrap material (after netting off prescribed silver processing fee incurred by the Processing Group).

Designated processing capacity, processing volume and utilization rate for our major products

The table below sets out our designated processing capacity, processing volume and utilization rate of our processing facilities for color photographic paper and medical dry film, our largest revenue contributors, during FY2010, FY2011, FY2012 and the five months ended 31 May 2013:

	Designated production capacity				Actual production volume				Utilization rate			
Products	FY2010	FY2011	FY2012	Five months ended 31 May 2013	FY2010	FY2011	FY2012	Five months ended 31 May 2013	FY2010	FY2011	FY2012	Five months ended 31 May 2013
Color photographic paper (sq.m. ’000)	44,771.7	48,561.4	52,299.5	24,796.6	33,111.3	35,399.0	44,391.6	14,514.3	74.0%	72.9%	84.9%	58.5%
Medical dry film (sq.m. ’000)	3,668.3	7,083.8	7,747.7	3,345.2	1,239.7	6,749.2	5,582.5	2,865.8	33.8%	95.3%	72.1%	85.7%

In respect of color photographic paper, the decrease in our utilization rate from FY2010 to FY2011 was primarily due to increase in the number of our processing lines during FY2010. In FY2012, our utilization rate increased primarily as a result of increase in demand for our color photographic paper. The decrease in our utilization rate from FY2012 to the five months ended 31 May 2013 was primarily due to increase in the number of our processing lines during the end of FY2012 and relatively low sales volume during the five months ended 31 May 2013. In respect of medical dry film, our utilization rate was relatively low during the start-up stage in FY2010. In FY2011, the increase in our utilization rate was primarily driven by a surge in demand from our customer. The decrease in our utilization rate in FY2012 was due to lower demand from our customer. Our utilization rate increased in the five months ended 31 May 2013 due to higher demand from our customer. Please see the section headed "Business — Processing — Designated processing capacity, processing volume and utilization rate for our major products" in this Prospectus for further details.

PROCUREMENT

During the Track Record Period, our principal raw materials were master rolls of color photographic paper, various image printing films and medical imaging films. Other materials used in our processing process mainly included packaging material. We also purchased various products mainly from Fujifilm Group for distribution.

OUR COMPETITIVE STRENGTHS

Our Directors consider that we possess the following competitive strengths: long-standing successful and stable strategic business relationship with Fujifilm Group; extensive sales and marketing network across the PRC and effective sales and marketing strategies in respect of some of our image printing products; experienced management team and a large talent reserve to support our expanding network and business; successful record of diversifying our product mix; and high quality and cost-effective processing platform.

OUR BUSINESS STRATEGIES

With our proven track record, our Directors believe that we are well-positioned to strengthen our market presence for our existing products and to capitalize on new business opportunities. As more particularly described in the section headed "Business — Business Strategies" in this Prospectus, we aim to achieve the objectives by implementing the following strategies: enhance marketing efforts and expand our sales network for image printing products; expand our product offering and sales channels for medical imaging products; expansion of processing capacities; and further enhance our R&D capability to enrich our product mix and diversify our source of revenue.

SUMMARY OF HISTORICAL FINANCIAL AND OPERATING INFORMATION

The following table presents a summary of combined income statements data for FY2010, FY2011, FY2012, the five months ended 31 May 2012 and the five months ended 31 May 2013 and should be read in conjunction with our combined financial statements and related notes included in the accountants' report set forth in Appendix I to this Prospectus, and the section headed "Financial Information" in this Prospectus.

Summary of combined income statements data

	FY2010	FY2011	FY2012	For the five months ended 2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**523,177**	**977,098**	**955,818**	**371,794**	**414,024**
Gross profit	85,304	163,419	167,310	72,179	73,670
Gross profit margin	*16.3%*	*16.7%*	*17.5%*	*19.4%*	*17.8%*
Profit for the year/period	**21,676**	**48,295**	**58,033**	**24,578**	**20,120**
Net profit margin	*4.1%*	*4.9%*	*6.1%*	*6.6%*	*4.9%*
Profit attributable to:					
Owners of the parent	19,297	47,312	56,517	24,004	20,281
Non-controlling interests	2,379	983	1,516	574	(161)
	21,676	48,295	58,033	24,578	20,120

The following table presents a summary of combined statements of financial position data for FY2010, FY2011, FY2012 and the five months ended 31 May 2013 and should be read in conjunction with our combined financial statements and related notes included in the accountants' report set forth in Appendix I to this Prospectus, and the section headed "Financial information" in this Prospectus.

Summary of combined statements of financial position data

	As at 31 December 2010	2011	2012	As at 31 May 2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	62,039	74,426	119,528	133,352
Current assets	277,257	401,435	467,673	531,235
Total assets	**339,296**	**475,861**	**587,201**	**664,587**
Current liabilities	187,039	289,145	407,937	462,992
Non-current liabilities	18,965	5,129	30,161	32,372
Total liabilities	**206,004**	**294,274**	**438,098**	**495,364**
Total equity	**133,292**	**181,587**	**149,103**	**169,223**
Net current assets	**90,218**	**112,290**	**59,736**	**68,243**
Total assets less current liabilities	**152,257**	**186,716**	**179,264**	**201,595**

Summary of key financial ratios

Set out below are the revenue growth, net profit growth, gross profit margin, net profit margin, return on equity and return on total assets of our Group for the years/periods indicated:

	FY2010	FY2011	FY2012	For the five months ended 31 May 2012	For the five months ended 31 May 2013
Revenue growth	14.8%	86.8%	(2.2)%	N/A	11.4%
Net profit growth	2.7%	122.8%	20.2%	N/A	(18.1)%
Gross profit margin	16.3%	16.7%	17.5%	19.4%	17.8%
Net profit margin	4.1%	4.9%	6.1%	6.6%	4.9%
Return on equity	17.4%	29.9%	40.3%	N/A	12.6%
Return on total assets	5.7%	9.9%	9.6%	N/A	3.1%

For details of other key financial ratios, please refer to the section headed "Financial information — Review of historical operating results" in this Prospectus.

GLOBAL OFFERING STATISTICS

	Based on an Offer Price of HK$1.11	Based on an Offer Price of HK$1.55
Market capitalization *(Note 1)*	HK$499.5 million	HK$697.5 million
Pro forma adjusted combined net tangible asset value per Share *(Note 2)*	HK$0.66	HK$0.76

Notes:

1. The calculation of the market capitalization of our Company is based on 450,000,000 Shares in issue immediately after completion of the Global Offering and without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option, any option which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company pursuant to the mandate granted to our Directors by the written resolutions of our Shareholders passed on Wednesday, 18 September 2013.
2. The pro forma adjusted combined net tangible asset value per Share has been arrived at after the adjustments set forth in Appendix II to this Prospectus and on the basis of 450,000,000 Shares in issue on the basis set out above.

USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

We estimate that we will receive net proceeds from the Global Offering of approximately HK$102.4 million (assuming an Offer Price of HK$1.33 per Share, being the mid-point of the estimated Offer Price range), after deducting the underwriting fees and commissions and estimated expenses payable by us in relation to the Global Offering, and assuming the Over-Allotment Option is not exercised. We intend to use the net proceeds we will receive from the Global Offering for the following purposes in the three years following the Global Offering:

- About 35% or HK$35.9 million: purchase of equipment and start-up cost for establishment of integrated print centers
- About 30% or HK$30.7 million: acquiring the entire or majority interest in a medical device company
- About 15% or HK$15.4 million: expansion of our processing capacity and construction of processing facilities
- About 10% or HK$10.2 million: R&D activities
- About 10% or HK$10.2 million: general working capital for corporate or other purposes

DIVIDEND AND DIVIDEND POLICY

In November 2012, Yestar Technology declared dividends to its then shareholders of about RMB47.4 million in total for the periods from 1 January 2010 to 31 October 2012, while Yestar Medical declared dividends to its then shareholder of about RMB44.5 million in total for the same periods. Except for the amount of about RMB3.4 million payable to Beijing Beichen, the dividends declared by Yestar Technology were settled on 4 July 2013 and 17 September 2013, while the dividends declared by Yestar Medical were fully settled on 7 June 2013. The dividend payable to Beijing Beichen will be settled as soon as practicable upon the lift of order from Beijing Second Intermediate People's Court in relation to Beijing Beichen's equity interest in Yestar Technology. Please refer to section headed "History and development — Corporate development and structure — Yestar Technology" in this Prospectus for details. The said dividends declared were financed by internally generated funds of Yestar Technology and Yestar Medical. Save as aforesaid, no dividend had been declared or paid by the Company or its subsidiaries during the Track Record Period and from 1 June 2013 up to the Latest Practicable Date. Our historical dividend distributions in the past should not be indicative of our future dividend policy. Please refer to the section headed "Financial information — Dividend policy" in this Prospectus for further details of our dividend policy.

EFFECT ON OUR FINANCIAL PERFORMANCE DUE TO LISTING EXPENSES

Our net profit for the year ending 31 December 2013 will have a considerable reduction due to the incurrence of listing expenses in 2013. Our financial performance for the year ending 31 December 2013 will be affected by such expenses as compared with our financial performance for the year ended 31 December 2012.

The estimated total listing fees for our Global Offering, primarily consisting of fees paid or payable to professional parties and underwriting fees and commission, are about RMB37.6 million (based on an Offer Price of HK$1.33 per Share, being the mid-point of the estimated Offer Price range, and assuming the Over-Allotment Option is not exercised). Among the estimated total listing fees, the amount of listing expenses to be recorded in the combined income statements and the amount to be debited to the share premium upon Listing are about RMB24.6 million and RMB13.0 million respectively. During the Track Record Period, we have recorded a total of about RMB14.3 million in listing expenses relating to our Global Offering in the combined income statements. For the year ending 31 December 2013, about RMB14.9 million of listing expenses will be recorded in the combined income statements.

RECENT DEVELOPMENT

The following represents management analysis on our Group's results for the seven months ended 31 July 2013. Our Directors are responsible for the preparation and fair presentation of the unaudited combined management accounts of our Group for the seven months ended 31 July 2013 in accordance with International Accounting Standard 34 "*Interim Financial Reporting*" issued by the International Accounting Standards Board (the "IASB"). The combined management accounts of our Group for the seven months ended 31 July 2013 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 Preformed by the Independent Auditor of the Entity*" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Based on our unaudited combined management accounts of the Group, the total revenue of our Group, increased by about RMB78.2 million or about 55.9% from about RMB140.0 million for the two months ended 31 July 2012 to about RMB218.2 million for the two months ended 31 July 2013, mainly attributable to (i) increase in sales from PWB film and medical wet film as PWB film and medical wet film were launched in late 2012; and (ii) increase in sales of medical dry film resulting from increase in customer's demand of medical dry film. Despite the sales of color photographic paper decreased for the five months ended 31 May 2013 as compared to the corresponding period in 2012, our sales of color photographic paper improved during the two months ended 31 July 2013, with monthly average revenue of minilab color photographic paper and professional color photographic paper for the two months ended 31 July 2013 increasing by about 43.8% and 20.3%, respectively, as compared to the average monthly revenue for the same products for the five months ended 31 May 2013.

Our Directors considered that such increase in sales of color photographic paper was attributable to our successful pricing strategies and enhanced marketing efforts on, including but not limited to, providing price discount to participants of promotion conferences, introducing and promoting our products to customers, strengthening customer relationship and bolstering customer confidence in our Group and our products through four promotion conferences during May 2013 to July 2013, as compared to one promotion conference during January 2013 to April 2013. However, our Directors considered that the competition in the minilab color photographic paper market will continue to intensify in light of the declining market trend. Please refer to the section headed "Risk factors — Risks relating to our business — Proliferation of digital image display applications has negative impact on the demand for some of our products" in this Prospectus for further details.

Based on the unaudited combined management accounts of our Group, the gross profit of our Group increased by about 79.9% for the two months ended 31 July 2013 as compared to that of the corresponding period in 2012, mainly attributable to the increase in revenue and the increase in overall gross profit margin by about 2.2% mainly due to the increase in gross profit margin of sales of color photographic paper for the two months ended 31 July 2013 as compared with the corresponding period in 2012, as a result of increase in average selling price of color photographic paper.

MATERIAL ADVERSE CHANGE

Our Directors confirm that there has been no material adverse change in our financial or trading position or our prospects since 31 May 2013, being the date of the latest audited combined statement of financial position as set forth in the section headed "Accountants' Report" in Appendix I to this Prospectus, up to the date of this Prospectus.

RISK FACTORS

There are certain risks involved in our operations and investment in our Shares, and many of these risks are beyond our control. These risks are set forth in the section headed "Risk Factors" section and include the following:

- Failure to face changes in technology and customer preferences may adversely affect our business, financial condition, results of operations and growth prospects
- Our reliance on Fujifilm Group, which also entails:
  - — Save for the distribution of Fujifilm color photographic paper, we have not been granted exclusive distribution and processing rights by Fujifilm Group
  - — Stable supply from Fujifilm Group may not be guaranteed
  - — Termination and renewal of agreements may affect our business
  - — Provision of indemnity to Fujifilm Group for product liability may affect our business and financial position
  - — Restrictions in our contracts may limit our expansion opportunities
  - — Reliance on the brand awareness and market acceptance of Fujifilm Group's products
  - — There can be no assurance that we will receive marketing service income from Fujifilm Group
  - — Any unanticipated departure of our Chairman or change in control of our Group or otherwise material dilution of the shareholding of our Controlling Shareholders may have an adverse impact on the continuing cooperation between Fujifilm Group and our Group
- Proliferation of digital image display applications has negative impact on the demand for some of our products
- We are susceptible to fluctuation in the prices of raw materials

The above risks are not the only significant risks that may affect the value of our Shares. Please see the section headed "Risk Factors" in this Prospectus for a more comprehensive discussion of these and other risks and uncertainties.

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

"Application Form(s)"	**WHITE**, **YELLOW** and **GREEN** application form(s), or where the context so requires, any of them, used in the Hong Kong Public Offering
"Application Lists"	the application lists of the Hong Kong Public Offering
"Articles" or "Articles of Association"	the articles of association adopted by our Company on 18 September 2013
"associate(s)"	has the same meaning ascribed thereto under the Listing Rules
"Beijing Beichen"	北京北辰創新高科技發展有限公司, a company established in the PRC on 28 September 2003 and an Independent Third Party
"Board of Directors" or "Board"	the board of Directors
"Business Day"	any day (other than a Saturday, Sunday or a public holiday) on which banks in Hong Kong are generally open for normal banking business
"BVI"	the British Virgin Islands
"Capital Group"	Capital Group Pte. Ltd., a company incorporated in Singapore on 19 October 2009 with limited liability which is owned as to 51% by Ms. Jeane Hartono, 20% by Mr. Rico Hartono, 20% by Mr. James Hartono and 9% by Ms. Chen Chen Irene Hartono
"Cayman Share Register"	our Company's share register in the Cayman Islands maintained by Codan Trust Company (Cayman) Limited
"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"	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, a CCASS Custodian Participant or a CCASS Investor Participant
"CLP Exclusive Distributorship Contracts"	collectively, the Yestar Imaging CLP Exclusive Distributorship Contract and Yestar Technology CLP Exclusive Distributorship Contract
"CLP MR Purchase Contracts"	collectively, the Yestar Imaging CLP MR Purchase Contract and Yestar Technology CLP MR Purchase Contract
"Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended from time to time
"Companies Registry"	the Companies Registry of Hong Kong
"Company"	Yestar International Holdings Company Limited, a company incorporated in the Cayman Islands with limited liability on 1 February 2012
"connected person(s)"	has the same meaning ascribed thereto under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules, and in the context of this Prospectus refers to Ms. Jeane Hartono, Mr. James Hartono, Mr. Rico Hartono and Ms. Chen Chen Irene Hartono
"Converting Agreement"	the agreement dated 1 January 2012 entered into between Fujifilm Corporation and Yestar Technology in relation to the purchase of master rolls of color film and color photographic paper from Fujifilm Group and the converting thereof
"CSRC"	中國證券監督管理委員會 (China Securities Regulatory Commission), a regulatory body responsible for the supervision and regulation of the Chinese national securities markets
"Director(s)"	the director(s) of our Company
"Feng San"	Feng San Pte. Ltd., a company incorporated in Singapore on 19 April 2002 which held interests in various companies of our Group as nominee on behalf of our Controlling Shareholders as more particularly described in the section headed "History and Development" in this Prospectus

"Forever Nice"	Forever Nice Enterprises Limited, a company incorporated on 17 June 2002 in the BVI which is 100% owned by Ms. Chen Hong, a director of Yestar Technology and thus a connected person of the Company
"Frost & Sullivan Report"	an independent market research report entitled "Markets study of image printing and medical imaging products in China, 2013" commissioned by us and issued by Frost & Sullivan on 23 September 2013
"Fujifilm China Investment"	Fujifilm (China) Investment Co., Ltd., a company established in the PRC on 12 April 2001, a member of the Fujifilm Group and an Independent Third Party
"Fujifilm Group"	Fujifilm Holdings Corporation, a company listed on the Tokyo Stock Exchange, Osaka Securities Exchange and Nagoya Stock Exchange, and its subsidiaries from time to time, an Independent Third Party
"FY2010"	the financial year ended 31 December 2010
"FY2011"	the financial year ended 31 December 2011
"FY2012"	the financial year ended 31 December 2012
"Gaoxin Processing Plant"	our processing plant situated at portions of the buildings at No. 60 Keyuan Ave, Gaoxin District, Nanning, Guangxi, the PRC
"Global Offering"	the Hong Kong Public Offering and the International Placing
"GREEN Application Form(s)"	the application form(s) to be completed by HK eIPO White Form Service Provider
"Group"	our Company and its subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, the present subsidiaries of our Company
"Haitong" or "Sole Sponsor"	Haitong International Capital Limited, acting as the sole sponsor of the Global Offering, a corporation licensed to conduct Type 6 (advising on corporate finance) regulated activity under the SFO
"Haitong Securities", "Sole Global Coordinator" or "Stabilizing 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 Global Coordinator, the Stabilizing Manager, one of the Joint Bookrunners and one of the Joint Lead Managers of the Global Offering

"HK$" or "HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"HK eIPO White Form"	the application for the Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website at www.hkeipo.hk
"HK eIPO White Form Service Provider"	The Bank of East Asia, Limited
"HKICPA"	Hong Kong Institute of Certified Public Accountants
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong" or "HK"	The Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong Branch Share Registrar"	Tricor Investor Services Limited
"Hong Kong Offer Shares"	the 11,250,000 Shares being initially offered for subscription at the Offer Price pursuant to the Hong Kong Public Offering (subject to adjustment as described in the section headed "Structure of the Global Offering" in this Prospectus)
"Hong Kong Public Offering"	the offering by the Company of the Hong Kong Offer Shares for subscription by members of the public in Hong Kong at the Offer Price and on the terms and conditions described in this Prospectus and the Application Forms
"Hong Kong Underwriter(s)"	the underwriter(s) of the Hong Kong Public Offering as listed in the section headed "Underwriting — Hong Kong Underwriters" in this Prospectus
"Hong Kong Underwriting Agreement"	the conditional Hong Kong underwriting agreement dated 26 September 2013 relating to the Hong Kong Public Offering and entered into between our Company, the executive Directors, our Controlling Shareholders, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters
"IFRSs"	International Financial Reporting Standards issued by the International Accounting Standards Board

"Independent Third Party(ies)"	persons or companies which are independent of and not connected with (within the meaning of the Listing Rules) any of the directors, chief executive, the controlling shareholders or the substantial shareholders of our Company or its subsidiaries or any of their respective associates, and an "Independent Third Party" means any of them
"International Placing"	the conditional placing of the International Placing Shares to professional, institutional and other investors at the Offer Price, as further described in the section headed "Structure of the Global Offering"
"International Placing Shares"	the 101,250,000 Shares offered for subscription pursuant to the International Placing (subject to adjustment and the Over-allotment Option as described in the section headed "Structure of the Global Offering" in this Prospectus)
"International Underwriter(s)"	the underwriter(s) of the International Placing as listed in the section headed "Underwriting — International Underwriters" in this Prospectus
"International Underwriting Agreement"	the conditional underwriting agreement expected to be entered into on or about the Price Determination Date, between our Company, the executive Directors, our Controlling Shareholders, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the International Underwriters in respect of the International Placing
"Jinkai Processing Plant"	our processing plant being constructed on No. 21 Guokai East Avenue, Nanning Economic and Technological Development Area, Nanning, Guangxi, the PRC
"Joint Bookrunners" or "Joint Lead Managers"	Haitong Securities and China Galaxy International Securities (Hong Kong) Co., Limited
"JPY"	Japanese Yen, the lawful currency of Japan
"Latest Practicable Date"	18 September 2013, being the latest practicable date for the inclusion of information in this Prospectus prior to the printing of this Prospectus
"Listing"	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 dealings in the Shares on the Main Board first commence, which is expected to be on Friday, 11 October 2013
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
"Memorandum"	the second amended and restated memorandum of association of our Company, approved and adopted on 18 September 2013 and as amended from time to time
"Non-competition Deed"	a deed of non-competition dated 18 September 2013 and given by our Controlling Shareholders in favor of our Company
"Offer Price"	the final price per Offer Share in Hong Kong dollars (exclusive of brokerage, SFC transaction levy and the Stock Exchange trading fee) at which the Offer Shares are to be subscribed for and issued, or purchased and sold, pursuant to the Global Offering, to be determined as further described in the section headed "Structure of the Global Offering — Price determination" in this Prospectus
"Offer Shares"	the Hong Kong Offer Shares and the International Placing Shares
"Over-allotment Option"	the option proposed to be granted by our Company to the International Underwriters exercisable by the Sole Global Coordinator (on behalf of the International Underwriters) pursuant to the International Underwriting Agreement at any time no earlier than the date of the International Underwriting Agreement and until 30 days from the last day for lodging of the Application Forms under the Hong Kong Public Offering, to require our Company to allot and issue up to an aggregate of 16,875,000 additional Shares representing not more than 15% of the initial number of the Offer Shares, at the Offer Price, to cover, among other things, over-allocations in the International Placing, if any, details of which are described in the section headed "Structure of the Global Offering — International Placing — Over-allotment Option" in this Prospectus

"PRC" or "China"	the People's Republic of China excluding, for the purposes of this Prospectus, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"PRC Government" or "State"	the central government of the PRC including all government subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof or, where the context requires, any of them
"PRC Legal Advisers"	Jingtian & Gongcheng, our Company's legal advisers as to PRC law
"Price Determination Date"	the date, expected to be on or about Thursday, 3 October 2013 (Hong Kong time) and, in any event, not later than Friday, 4 October 2013, at which time the Offer Price is to be determined by our Company and the Sole Global Coordinator
"Processing Group"	上工申貝(集團)股份有限公司上海申貝感光材料廠 (SGSBGG Shanghai Photosensitive material factory), an entity established in the PRC in April 1958 and its subsidiaries from time to time, an Independent Third Party. To the best of our Directors' knowledge after making all reasonable enquiries, the company is a branch company of 上工申貝(集團)股份有限公司 (SGSB Group Co., Ltd), a company incorporated in the PRC and listed on the Shanghai Stock Exchange
"Prospectus"	this Prospectus dated 27 September 2013 issued to members of the public in Hong Kong for the purpose of the Hong Kong Public Offering
"R&D"	research and development
"Regulation S"	Regulation S under the U.S. Securities Act
"Reorganization"	the corporate reorganization arrangements undergone by our Group in preparation for the Listing as described in the section headed "History and development — Reorganization" in this Prospectus and the section headed "Further information about our Company — Corporate Reorganization" in Appendix IV to this Prospectus
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC

"SAFE"	中華人民共和國國家外匯管理局 (the PRC State Administration for Foreign Exchange), the government agency responsible for matters relating to foreign exchange administration
"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 from time to time
"Share(s)"	ordinary shares of HK$0.10 each in the share capital of our Company
"Shareholder(s)"	holder(s) of the Share(s)
"Share Option Scheme"	the share option scheme conditionally approved and adopted by our Company on 18 September 2013, the principal terms of which are summarized in the section headed "Share Option Scheme — Summary of the terms of the Share Option Scheme" in Appendix IV to this Prospectus
"State Council"	中華人民共和國國務院 (the State Council of the PRC)
"Stock Borrowing Agreement"	the stock borrowing agreement expected to be entered into between Ms. Jeane Hartono and the Statilizing Manager pursuant to which the Statilizing Manager may borrow up to an aggregate of 16,875,000 Shares from Ms. Jeane Hartono for the purpose of covering over-allocations in the International Placing
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed thereto in section 2 of the Companies Ordinance
"Substantial Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers issued by SFC, as amended from time to time
"Track Record Period"	FY2010, FY2011, FY2012 and the five months ended 31 May 2013
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	The Hong Kong Underwriting Agreement and the International Underwriting Agreement

"United States" or "U.S."	the United States of America, its territories, its possessions subject to its jurisdiction
"US$" or "USD"	United States dollars, the lawful currency of the United States
"U.S. Securities Act"	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"we", "us" or "our"	our Company or our Group (as the context may require)
"Well Gain"	Well Gain Finance Ltd., a company incorporated in the BVI on 1 March 2001 which held interests in Yestar Technology as nominee on behalf of our Controlling Shareholders as more particularly described in the section headed "History and development" in this Prospectus
"Yestar BVI"	Yestar Asia Company Limited, a company incorporated in BVI with limited liability on 1 February 2012 and a wholly-owned subsidiary of our Company
"Yestar BVI Shareholders"	collectively, Ms. Jeane Hartono, Mr. Rico Hartono, Mr. James Hartono, Ms. Chen Chen Irene Hartono and Forever Nice
"Yestar HK"	Yestar International (HK) Company Limited, a company incorporated in Hong Kong with limited liability on 29 February 2012 and a wholly-owned subsidiary of our Company
"Yestar Imaging"	廣西彩星化工科技有限公司 (Yestar (Guangxi) Imaging Technology Co., Ltd.), a company established in the PRC with limited liability on 23 November 2010 and a wholly-owned subsidiary of our Company
"Yestar Imaging CLP Exclusive Distributorship Contract"	the exclusive distributorship contract between Yestar Imaging and Fujifilm China Investment which took effect on 10 June 2013, pursuant to which Fujifilm China Investment appointed Yestar Imaging as well as its related companies under common control (including but not limited to Yestar Technology) as the sole and exclusive distributor of Fujifilm color photographic paper in the PRC
"Yestar Imaging CLP MR Purchase Contract"	the sale and purchase contract which took effect on 1 April 2012 between Yestar Imaging and Fujifilm China Investment relating to the sale of Fujifilm color photographic paper master rolls by Fujifilm China Investment to Yestar Imaging (as amended)

"Yestar Medical"	廣西巨星醫療器械有限公司 (Yestar (Guangxi) Medical System Co., Ltd.), a company established in the PRC with limited liability on 24 December 2009 and a wholly-owned subsidiary of our Company
"Yestar Shanghai"	巨星貿易(上海)有限公司 (Yestar (Shanghai) Co., Ltd.), a company established in the PRC with limited liability on 20 July 2000 and a wholly-owned subsidiary of our Company
"Yestar Technology"	廣西巨星科技有限公司 (Yestar (Guangxi) Technology Co., Ltd.), a company established in the PRC with limited liability on 23 July 2004 and a 92.86% owned subsidiary of our Company
"Yestar Technology CLP Exclusive Distributorship Contract"	the exclusive distributorship contract between Yestar Technology and Fujifilm China Investment which took effect on 10 June 2013, pursuant to which Fujifilm China Investment appointed Yestar Technology as well as its related companies under common control (including but not limited to Yestar Imaging) as the sole and exclusive distributor of Fujifilm color photographic paper in the PRC
"Yestar Technology CLP MR Purchase Contract"	the sale and purchase contract between Yestar Technology and Fujifilm China Investment which took effect on 1 April 2012 relating to the sale of Fujifilm color photographic paper master rolls by Fujifilm China Investment to Yestar Technology (as amended)
"%"	per cent

The English names of the PRC nationals, entities, departments, facilities, certificates, titles and regulations etc. mentioned in this Prospectus are translations from their Chinese names and are for identification purpose only. If there is any inconsistency, the Chinese name shall prevail.

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

This glossary contains explanations of certain terms used in this Prospectus in connection with our Company 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
"cm"	centimeter(s)
"color film"	unexposed color film used in the traditional camera, excluding color motion film or industrial film
"color photographic paper"	paper coated with light-sensitive chemicals, used for making photographic prints
"color photographic paper market"	market of color photographic paper which is normally divided into minilab color photographic paper market and professional color photographic paper market
"converting"	when used in the context of converting of films and color photographic paper, the term refers to the process of slitting master rolls of films and color photographic paper to customized size sheets or rolls
"CR"	computed radiography
"dental film"	dental film is used for dental x-ray examination showing pictures of teeth, bones and surrounding soft tissues to help identify problems with the teeth, mouth and jaw
"DR"	digital radiography
"FMCG"	fast-moving consumer goods which, for the purposes of this Prospectus, comprise personal care products, cosmetics and baby products
"GDP"	gross domestic product
"industrial NDT x-ray film"	a specific kind of film that consists of a thin sheet of radio-transparent material coated on one or both sides with a photographic emulsion intended to record images during radiographic testing
"m"	meter(s)
"master roll"	film or color photographic paper in the form of jumbo roll, which is yet to be converted into ready-to-use sizes

"medical dry film"	medical dry film is a type of medical film printed by imagers and does not require wet processing chemistry or darkroom environment
"medical film"	medical film is a thin sheet of material used to record images, such as organs, structures, and tissues, which are involved in imaging diagnosis from x-ray and other image modalities. Medical film is usually divided into two categories, namely, medical dry film and medical wet film
"medical wet film"	medical wet film is the traditional form of medical film that needs to be developed through wet processing in darkroom
"minilab color photographic paper market"	market of color photographic paper smaller than 12 inches in size
"NDT"	non-destructive testing, a wide group of analysis techniques in product evaluation, troubleshooting and research without causing damage
"professional color photographic paper market"	market of color photographic paper normally no less than 12 inches in size
"PWB"	printed wiring board, used to mechanically support and electrically connect electronic components using conductive pathways, tracks or signal traces etched from copper sheets laminated onto a non-conductive substrate
"PWB film"	light sensitive film specially designed for PWB industry as the pattern template for PWB circuit layout which is then transferred to photomask and eventually transferred to PWB through photolithography
"sq.m."	square meter(s)
"wholesalers"	person or entity that purchased products from us for purposes of reselling such products to others

You should carefully consider all of the information set out in this Prospectus and, in particular, should consider the following risks before making an investment in our Company. You should pay particular attention to the fact that our business is located in the PRC and it is governed by a legal and regulatory environment, which in some respects may differ from that which prevails in other countries. Our business, financial condition or results of operations could be materially adversely affected by any of these risks. The trading price of the Offer Shares could decline due to any of these risks or other factors, and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

If we fail to face changes in technology and customer preferences and develop and introduce new products successfully, our business, financial condition, results of operations and growth prospects may be adversely affected

Changes in technology and consumer preferences could severely affect the demand for our products and make our products obsolete. Our ability to diversify our product offering requires accurate predictions of the product development schedule as well as volumes, product mix, customer demand and sales channels. The process of developing new products is complex and often uncertain due to the frequent introduction of new products by competitors that offer improved performance and pricing. Introduction of new products are also subject to a number of risks, including:

- difficulties and delays in the development, processing, testing and marketing of products;
- anticipated demand and market acceptance may differ from the product's realizable customer demand;
- ability to differentiate our products and compete with other companies in the same markets;
- development, processing and support costs may be higher than our estimates, thus the actual gross margins and operating margins on our products may be less than anticipated;
- we may not be able to recover costs incurred for R&D, sales and marketing, processing and otherwise.

In particular, breakthrough in color inkjet print technology and other technology may introduce new or substitute products having comparable applications and quality as our products and which may have prices comparable to or lower than our products. To compete in the medical imaging industry, our Directors believe that we must invest significant resources (financial, human and otherwise) in, among other things, R&D, sales and marketing, and after-sales support. There is no assurance that we will be able to make the technological advances necessary for our products to remain competitive and to adapt to rapid developments in the markets. There can be no assurance that our competitors will not succeed in developing and introducing products that are less costly or more efficient than ours and/or as substitutes for our products, or that customers will not prefer technologies or products offered by our competitors. Our failure to adapt to market and technological changes and compete successfully could seriously harm our business, financial condition, results of operations and growth prospects.

Risks associated with reliance on Fujifilm Group

We source raw material for processing and final products for distribution from Fujifilm Group. During FY2010, FY2011, FY2012 and the five months ended 31 May 2013, purchases from Fujifilm Group (excluding purchases attributable to FMCG) amounted to about 84.2%, 88.8%, 96.6% and 96.3% of our total purchases for the corresponding periods, respectively. During the same periods, purchases from Fujifilm Group (including purchases attributable to our FMCG business) amounted to about 84.2%, 89.0% and 96.6% and 96.3% of our total purchases, respectively. Consequently, our profitability, performance and financial results rely on, amongst other things, the continued supply from Fujifilm Group and our continued distributorship with Fujifilm Group.

During the Track Record Period, the revenue from our medical dry film, medical wet film and PWB film businesses were solely attributable to Fujifilm Group. We also sold an immaterial amount of other products to Fujifilm Group. During FY2010, FY2011, FY2012 and the five months ended 31 May 2013, our sales to Fujifilm Group amounted to about RMB39.6 million, RMB302.9 million, RMB300.1 million and RMB207.7 million, respectively, representing about 7.6%, 31.0%, 31.4% and 50.2% of our total revenue for the corresponding periods. A member of Fujifilm Group was our second largest customer for FY2010 and our largest customer for FY2011, FY2012 and five months ended 31 May 2013, respectively. Our annual contracts for sales of medical dry film, medical wet film and PWB film to Fujifilm Group do not impose any minimum purchase commitment on Fujifilm Group. Our results of operations in the relevant segments are directly affected by the success of our customer. Our customer may not be able to market and sell its products successfully or maintain its competitiveness. In those circumstances, our customer may decrease the quantity of their orders from us, which could adversely affect our results of operations and revenue in the relevant segments. Subject to market or other unanticipated changes beyond our control, based on our current plans, we currently expect that our reliance on Fujifilm Group is not likely to reduce in the near future. During FY2010 and FY2011, we also received marketing service income from Fujifilm Group.

Further details of our cooperation with Fujifilm Group for some of our products are set out in the section headed "Business — Cooperation with Fujifilm Group in respect of some of our products" in this Prospectus.

Save for the distribution of Fujifilm color photographic paper, we have not been granted exclusive distribution and processing rights by Fujifilm Group

Whilst Fujifilm Group has recognized that currently all the Fujifilm color photographic paper distributed in ready-to-use form in the PRC is distributed by us and all the Fujifilm color photographic paper, medical dry film, medical wet film and PWB film processed into ready-to-use form in the PRC is processed into ready-to-use form by us, save for our appointment as the sole and exclusive distributor of Fujifilm color photographic paper in the PRC by Fujifilm China Investment, we are not appointed by Fujifilm Group as its exclusive distributor or exclusive processor of any products. In other words, save for the distribution of Fujifilm color photographic paper, Fujifilm Group may appoint other processors or distributors in the PRC or process or sell their products in the PRC directly.

Stable supply from Fujifilm Group may not be guaranteed

Our Directors consider that our business and results of operation depend on the stable supply of raw material and products from Fujifilm Group. Fujifilm Group may change its existing sales or marketing strategy in respect of the Fujifilm products that are processed and/or sold by us, including but not limited to, engaging other processors and/or distributors, directly engaging in the processing and sales of such Fujifilm products in the PRC market, changing their strategy in the PRC, reducing their sales or processing volume or increasing selling prices. Our master contracts do not impose contractual obligation on Fujifilm Group to accept purchase orders from us. The prices for purchase of raw material and products from Fujifilm Group are subject to review from time to time. Given our reliance on Fujifilm Group, we may not have the bargaining power vis-à-vis Fujifilm Group to negotiate price terms favorable to us. In the event of increase in purchase price, we may not be able to pass on the increase in purchase cost to our customers. In addition, major changes in the economies in which Fujifilm Group operates, increase in their processing cost and disruptions to the business operations of Fujifilm Group may affect the supply of raw material and products to us. The realization or occurrence of any of the aforementioned risks could have material adverse effects on our business, financial position, and results of operations.

Termination and renewal of agreements may affect our business

Our contract with Fujifilm Group for distribution of Fujifilm industrial NDT x-ray film may be terminated by about a month's written notice to the other party.

Fujifilm Group may also terminate the Converting Agreement or our master contracts for, amongst others, (i) master rolls of Fujifilm color photographic paper, color film, medical dry film, medical wet film or PWB film, (ii) Fujifilm industrial NDT x-ray film, medical dry film, medical wet film or PWB film, as well as the individual contracts thereunder, by written notice upon the occurrence of various events. The circumstances under which Fujifilm Group may terminate the aforementioned contracts vary with each contract. Some of such circumstances include (without limitation):

(a) failure to remedy breach of contract by us within prescribed periods;

(b) change in our management control or ownership;

(c) if we cause negative impact on Fujifilm Group by sales of their products;

(d) breach of contract by us which cannot be remedied; and/or

(e) material changes in operation such that the relevant contract cannot be performed,

as further described in the "Business — Cooperation with Fujifilm Group in respect of some of our products" section of this Prospectus. Unless either party gives advance written notice to the other party not to renew the relevant contract in accordance with the terms thereof, the above contracts may be renewed for varying periods and times.

Our success depends heavily on our continuing ability to comply with our contracts with Fujifilm Group. If we fail to comply with our contracts with Fujifilm Group, or fail to remedy the breach of contract by us, or if such contracts are terminated prior to their expiry or if we fail to renew such contracts on the same or more favorable terms, our business, financial position and results of operations may be materially adversely affected.

In the event that Fujifilm Group plans to alter its existing business arrangements with us including terminating our engagement as its sole distributor of Fujifilm color photographic paper in the PRC and/or its largest processor of Fujifilm color photographic paper, medical wet film, medical dry film and PWB film in the PRC, even though Fujifilm Group may inform us and consult with us before carrying out any such plans with a view to allow sufficient time, which is to be agreed between our Group and Fujifilm Group at the relevant time, for us to make alternative business arrangements and/or implement a contingency plan, we cannot assure you that we can successfully put in place such alternative arrangements or implement our contingency plan within such agreed timeframe. In such circumstances, we may not be able to source any alternative supplies for our processing and/or to effect sales to any alternative customers, or to the same extent as we have been supplying to, or been provided by, Fujifilm Group previously such that our business, profitability, performance, financial position and results of operations may be materially adversely affected. If such an event does take place, our Directors are of the view that it would be difficult to assess how practicable and/or effective our contingency plan can be put in place to the extent that new suppliers and/or customers can substitute Fujifilm Group completely or partially within the agreed timeframe as there are many variables that can influence the success of such actions. In the event that our contingency plans are not successful, or our current diversification strategies as more particularly described in the section headed "Business — Business strategies" in this Prospectus are not successful, our business, profitability, performance, financial position and results of operations may be materially adversely affected.

Provision of indemnity to Fujifilm Group for product liability may affect our business and financial position

Under the Converting Agreement and our annual contracts with Fujifilm Group for sales of medical dry film, medical wet film and PWB film, Fujifilm Group may claim damages against us for their liabilities to third parties in respect of the products processed by us. In the event that Fujifilm Group claims damages against us, our business and financial position may be adversely affected.

Restrictions in our contracts may limit our expansion opportunities

The Converting Agreement and our master contracts with Fujifilm Group in relation to, amongst others, (i) master rolls of color photographic paper, color films, medical dry film, medical wet film and PWB film, as well as (ii) Fujifilm industrial NDT x-ray film, medical dry film, medical wet film and PWB film, contain confidentiality and/or other restrictions that may restrict us from sourcing master rolls from other suppliers and/or from expanding our brand and product portfolio. While Fujifilm Group has provided processing guidelines for their products to us, all of our master contracts with Fujifilm Group require us to return know-how and/or confidential information provided to us upon termination.

At present, we do not have any plans for purchasing master rolls from any third party other than Fujifilm Group and/or to use confidential information provided to us under our master contracts with Fujifilm Group for any purposes beyond the prescribed scope under the relevant contracts. As far as we understand from Fujifilm Group, in the event that:

(i) Fujifilm Group terminates its existing business relationship with us relating to the engagement of our Group as their sole distributor of color photographic paper in the PRC and/or their largest processor of color photographic paper, medical wet film, medical dry film and PWB film into ready-to use form in the PRC; and

(ii) our alternative business arrangements or contingency plans to continue our business after such termination involves the sourcing, processing, manufacturing and/or selling of master rolls and/or final products of other brands or of our own brands,

Fujifilm Group would not make any claims against us for non-compliance with any provisions in any of the aforesaid agreements solely arising from the sourcing, processing, manufacturing and/or selling of master rolls and/or final products of other brands or of our own brands. However, under other circumstances, the restrictions under our contracts with Fujifilm Group may still restrict opportunities for future expansion and cooperation with third parties.

We currently do not have any plans, and we are not aware of any current plans of Fujifilm Group, to change the mode of operation between our Group and Fujifilm Group regarding color photographic paper, industrial NDT x-ray film, PWB film, medical dry film and medical wet film. While we are open to contemplating other modes of cooperation, such as distributing PWB film, medical dry film and medical wet film in the PRC if we establish the requisite sales network, we do not have any concrete plans with Fujifilm Group for any such changes.

Reliance on the brand awareness and market acceptance of Fujifilm Group's products

During FY2010, FY2011, FY2012 and the five months ended 31 May 2013, excluding sales attributable to FMCG, our sales of products under Fujifilm Group's brands accounted for about 100.0%, 96.1%, 95.9% and 96.0% of our revenue for the corresponding period. We also rely heavily on the brand awareness, quality and market acceptance of Fujifilm Group's products. If Fujifilm Group fails to maintain quality standards, respond to market changes or if there is any decline in demand of their products in the PRC, our business, financial position, and results of operations would be materially adversely affected.

There can be no assurance that we will receive marketing service income from Fujifilm Group

During FY2010, FY2011, FY2012 and the five months ended 31 May 2013, we received marketing services income of about RMB6.9 million, RMB6.6 million, nil and nil from Fujifilm Group. There can be no assurance that Fujifilm Group will provide marketing services income to us. Should it not provide marketing service income, reduce the amount or alter the basis of determination as compared to the Track Record Period, our results and financial performance may be adversely affected.

Any unanticipated departure of our Chairman or change in control of our Group or otherwise material dilution of the shareholding of our Controlling Shareholders may have an adverse impact on the continuing cooperation between Fujifilm Group and our Group

Our Group, our Chairman or the family members of our Chairman (including the Controlling Shareholders) have been conducting business with Fujifilm Group for over 42 years. The continuation of Fujifilm Group's cooperation and confidence with us is partly attributable to such long term cooperation and the leadership of our Group by our Chairman. Any unanticipated departure of our Chairman or change in control of our Group or otherwise material dilution of the shareholding of our Controlling Shareholders may have an adverse impact on the continuing cooperation between Fujifilm Group and our Group.

Risks associated with the purchase of master rolls of industrial NDT x-ray film and dental film

Under each of the annual contracts for purchase of master rolls of industrial NDT x-ray film and dental film, for product liability claims brought (or may be brought) in the PRC over the films for certain damages caused by safety defects of the master rolls and infringement of intellectual property rights which are caused by the master rolls, our supplier shall exclude us from liability and resolve claims at its cost, as well as indemnify us for losses arising out of such claims. However, the indemnification shall be limited to direct losses and limited to the total amount of purchase price received by the supplier during a prescribed period. As a result of the above restrictions, we may not be able to claim adequate damages from our supplier to cover our losses.

For product liability claims and intellectual property rights infringement claims which do not fall within the supplier's responsibility under the annual contracts, we shall exclude the supplier from liability and resolve the claim at our cost, as well as indemnify the supplier for losses arising out of such claims. In the event that our supplier claims damages against us, our business, financial position, and results of operations may be adversely affected.

Our annual contracts for purchase of master rolls contain confidentiality restrictions which could restrict our ability to expand our product and brand portfolio. At present, we do not have any plans for purchasing master rolls of industrial NDT x-ray film and dental film from other suppliers and/or to use confidential information provided to us under our annual contracts for any purposes beyond the prescribed scope under the relevant contracts. However, the restrictions may restrict opportunities for future expansion and cooperation with third parties.

Our annual contracts for purchase of master rolls of industrial NDT x-ray film and dental film will expire on 31 March 2014 and 31 December 2013 (each subject to automatic renewal), respectively. The supplier may terminate the annual contract, as well as the individual contracts thereunder, by written notice upon the occurrence of various events, including without limitation:

(a) failure to remedy breach of contract by us within prescribed periods;

(b) change in our management control or ownership;

(c) if we cause any negative impact on supplier;

(d) breach of contract by us which cannot be remedied; and/or

(e) material changes in operation such that the relevant contract cannot be performed.

Our success depends heavily on our continuing ability to comply with our contracts with the supplier. If we fail to comply with any of our contracts with the supplier, or fail to remedy the breach of contract by us, or if any of such contracts is terminated prior to its expiry or if we fail to renew any of such contracts on the same or more favorable terms, or if we fail to or are restricted from sourcing from other suppliers or adapt our processing facilities to the master rolls supplied by other suppliers, our business, financial position, results of operations and market share may be materially adversely affected.

Proliferation of digital image display applications has negative impact on the demand for some of our products

According to the Frost & Sullivan Report, the effect of proliferation of digital image display applications has a negative impact on the market demand for some of our products, in particular minilab color photographic paper and dental film. In respect of the domestic minilab color photographic paper market, the consumption has plunged greatly in the last decade. From 2008 to 2012, the market decreased at CAGR of about 6.9% in terms of volume and slightly increased at CAGR of about 1.3% in terms of revenue. According to the Frost & Sullivan Report, the proliferation and extensive use of digital image display applications such as digital cameras and videos, phones with photographic devices and other portable digital display devices have a negative impact on the demand of color photographic paper. Our Directors consider that the competition in the minilab color photographic paper will continue to intensify in light of the declining market trend. In respect of dental film, according to the Frost & Sullivan Report, substitution of dental film by digital image is expected to adversely affect the market demand for dental film and market demand in terms of volume is expected to further decline. Although industrial NDT x-ray film is expected to continue to prevail in the near future as it outperforms digital techniques, breakthrough in digital techniques could substitute traditional film and revolutionize industrial NDT radiographic testing. In respect of medical film, according to the Frost & Sullivan Report, digital radiography is expected have a negative impact on the demand for medical dry film as it can aid diagnosis by enabling zooming in, as well as allow images to be stored and transferred electronically.

Changes in consumers' preferences, technological advancements introducing substitutes for our products and a faster than expected rate of adoption of digital image display applications will have material adverse effect on our business, financial position and results of operation.

We face varying levels of competition in different markets

Our Directors believe that we face varying levels of competition in the markets in which we operate. Due to the distinctive market features and different market position occupied by us across different product sectors, our Directors believe that we face varying levels of competition in different markets. The level of competition for some of our products are further explained below.

Color photographic paper

According to the Frost & Sullivan Report, China's color photographic paper market is largely dominated by two international brands, Fujifilm and Kodak, and a local brand, Lucky, all being well-known brands with a long history in the industry. In 2012, these three giants in aggregate accounted for over 84% of the market share in the PRC in terms of both volume and revenue. Our business may be affected by competition among processors, distributors and brands in the color photographic paper market in terms of, amongst others, price, quality, brand name, promotion, market penetration and customer services.

Industrial NDT x-ray film

According to the Frost & Sullivan Report, the industry has high entry barriers in production techniques, capital investment requirements and creating brand loyalty. According to the Frost & Sullivan Report, the industrial NDT x-ray film market in the PRC was dominated by Agfa and Carestream in 2012, which in aggregate accounted for about 67.0% and 72.3% of the market share in the PRC in 2012 by volume and revenue, respectively. According to the Frost & Sullivan Report, as radiographic testing is essential for quality assurance, and different types of industrial NDT x-ray film usually have distinctive features and operate under different conditions, most end users are very careful in the selection of industrial NDT x-ray film and reluctant to switch to another brand. Furthermore, most large manufacturers who frequently use industrial NDT x-ray films in their daily production intend to integrate the radiographic testing procedure into their production protocols to ensure the quality and stability of their products. Thus, the adoption of a new brand of NDT x-ray film involves different operating conditions, leading to amendment in the processing protocols and total work flow. We may encounter difficulties in expanding our market penetration.

PWB film

According to the Frost & Sullivan Report, the PWB film market in the PRC is dominated by three international giants, namely Fujifilm, Kodak and AGFA, which in aggregate accounted for over 90% of the market share in terms of revenue in 2012. According to the Frost & Sullivan Report, considering that our production of PWB film only accounted for a very small share of Fujifilm's total production, it could be deduced that there were other companies with processing capacities comparable to or higher than ours.

Medical dry film

According to the Frost & Sullivan Report, China's medical dry film market is dominated by international brands. Carestream, Agfa, Konica Minolta and Fujifilm together accounted for over 90% of the market share in the PRC in 2011 in terms of both volume and revenue. Our business and growth prospects may be affected by competition among suppliers of medical dry film, further details of which are set out in the section headed "Industry overview - Medical image products market in the PRC - Medical film market in the PRC - Competitive landscape of medical dry film market in the PRC" and "Business - Competition" in this Prospectus.

According to the Frost & Sullivan Report, medical dry film is gradually replacing medical wet film for its convenience and environmental-friendly features. According to the Frost & Sullivan Report, the medical wet film market in the PRC is a highly concentrated market, which is largely dominated by two giants, namely Carestream and Fujifilm. According to the Frost & Sullivan Report, considering that our production of medical wet film only accounted a very small share in Fujifilm's total production in 2012, it could be deduced that there were other companies in the PRC with processing capacities comparable or higher than ours.

Please also refer to the section headed "Industry overview" and "Business — Competition" in this Prospectus for further details on the competitive landscape in respect of the above products. Generally, our competitors may be able to respond more rapidly or more effectively than we can to new or emerging technologies, changes in customer requirements, supplier related developments, or a shift in the business landscape. They also may devote greater or more effective resources than we do to the development, promotion, sale, and post-sale support of their respective products and services.

Successful new product introductions or enhancements by our competitors could reduce our sales and market acceptance of our products, cause intense price competition and make our products obsolete. We also expect competition to intensify as a result of proliferation of digital image display applications and their adoption. Our failure to adapt to market and technological changes and compete successfully could seriously harm our business, financial condition, results of operations and growth prospects. If we are unable to sell our products at prices sufficiently competitive with current and future competitors, we could also loose market share and our revenue and gross profit margin will be adversely affected.

We are susceptible to fluctuation in the prices of raw materials

Our principal raw material, master rolls, are subject to price volatility caused by various factors, including fluctuations in supply and demand, market price, the cost of production by our suppliers (which is in turn affected by various factors, including the price of silver) and in respect of color photographic paper, anti-dumping duties as set out in the section headed "Regulations" of this Prospectus. Further details of the major factors affecting the price of our raw material are set out in the section headed "Industry overview — Raw materials for color photographic paper, industrial NDT x-ray film, PWB film, medical dry film, medical wet film and dental film" of this Prospectus. The cost of our raw material will increase if our supplier increases the price of master rolls. During the Track Record Period, the major sources of our revenue and major components of our material cost were sales and material cost of color photographic paper and medical dry film, respectively. Fluctuation in the selling price and material cost of our color photographic paper and medical dry film would impact directly on our gross profit margin and profit before tax. The maximum year-on-year/period-on-period percentage change of average selling price and material cost of such products during the Track Record Period were about 8.7% and 8.0%, respectively. For illustration purpose, hypothetical fluctuation of 10% on the selling price and material cost of our products is adopted for the below analysis.

For FY2010, FY2011, FY2012 and five months ended 31 May 2013, holding all other factors constant if the selling price of our products increases by 10%, our gross profit margin will be increased by about 7.6%, 7.6%, 7.5% and 7.5% respectively and our profit before tax will be increased by about RMB52.3 million, RMB97.7 million, RMB95.6 million and RMB41.4 million respectively. For FY2010, FY2011, FY2012 and five months ended 31 May 2013, holding all other factors constant if the selling price of our products decreased by 10%, our gross profit margin will be decreased by about 9.3%, 9.3%, 9.2% and 9.1% respectively and our profit before tax will be decreased by about RMB52.3 million, RMB97.7 million, RMB95.6 million and RMB41.4 million respectively.

For FY2010, FY2011, FY2012 and five months ended 31 May 2013, holding all other factors constant, if our material cost increases or decreases by 10%, our gross profit margin will be increased or reduced by about 8.1%, 8.1%, 8.0% and 7.8% respectively and our profit before tax will be increased or reduced by about RMB42.5 million, RMB79.3 million, RMB76.0 million and RMB32.5 million respectively.

Please also refer to the section headed "Financial information" in this Prospectus for further details of the impact of fluctuations in raw material cost on our financial performance during the Track Record Period.

If we fail to pass the increase in purchase price of raw material to our customers, our profitability may be materially adversely affected. Increases in the price of our products may also cause users to opt for other technologies or other brands, which could have material adverse effect on our business, financial position, results of operation and market share.

We have a limited operating history in the processing and/or sales of some of our products

Sales of Fujifilm color photographic paper accounted for about 83.9%, 53.9%, 62.7% and 43.9% of our total revenue for FY2010, FY2011, FY2012 and the five months ended 31 May 2013, respectively. Our revenue was dependent on the demand and supply in the color photographic paper market.

During the Track Record Period, we commenced the processing and/or sales of industrial NDT x-ray film under Yes!Star brand and Fujifilm brand, Fujifilm medical dry film, Fujifilm medical wet film, Fujifilm PWB film and Yes!Star dental film. To develop our competitive position in the above markets, we need to compete with existing processors and distributors, some of whom have been in the market for many years with established market share, sales networks and may have greater resources than us.

Processing and/or sales of the above products and marketing of products under our own brand name are relatively new to our overall operations, and of which we have little experience. There is no assurance that our revenue derived from such products will continue to grow at a fast pace, if at all.

We may encounter difficulties in exploring new markets and implementing our expansion plans

We intend to diversify our product portfolio in the medical imaging sector by acquiring the entire or majority interest in a medical device company possessing a national sales network, manufacturing capabilities and requisite licenses for engaging in the medical x-ray device business in the PRC within one to two years after our Global Offering. Currently, we intend to settle the purchase price partly by applying about 30% of the net proceeds from our Global Offering, and partly by internal resources, net proceeds from fund raising activities in the equity market after Listing and/or bank borrowings. We have not entered into any binding agreement for the acquisition of any medical device company. Our ability to expand through acquisitions depends on, amongst others, our ability to identify, negotiate and complete the acquisition and to obtain sufficient financing if necessary. Even if we successfully complete an acquisition, we may experience delays or failures in realizing the benefits of the acquired companies, difficulties in retaining their key personnel, diversion of our management's time and attention from our other business concerns and incurring higher costs of integration than we anticipated. Moreover, we would have to assess the credibility of the customers of any newly acquired companies. Our liquidity and operational cash flows may be materially and adversely affected if we encounter a material increase in default of payment from such new customers. Failure to integrate any acquired companies successfully into our existing operations may have an adverse and material adverse effect on our business, financial position, results of operation and growth prospects.

Our efforts to expand into new markets may not be successful and could present challenges different from those we currently or previously faced. Our risk exposure may increase due to our lack of experience in the new markets. As we enter new markets and provide new products, we may not have the requisite knowledge, market expertise and resources to accurately assess and adjust to demands of our existing and potential customers in the relevant markets, to comply with relevant laws and industry standards, and we may incur higher costs in administration, regulatory and environmental compliance, logistics and marketing. There is also no assurance that we will be able to obtain the requisite approvals to complete the acquisition or the requisite licenses and registrations if we wish to expand the product portfolio of the target medical device company.

The successful implementation of our expansion plans may be influenced by various other factors, including the demand and competition in the markets, the availability of sufficient resources such as funding and staff, logistics arrangement and other operational and management systems to cope with an expanded network, and the ability and willingness of suppliers to supply on a timely basis at competitive prices and to provide us with various forms of support in the existing and new markets. Some of the above factors are beyond our control.

To cope with the anticipated increase in demand and enjoy greater economy of scale, we plan to increase our processing capacities by rearranging our existing processing lines and installing a new processing line at Jinkai Processing Plant. If we cannot expand our processing capacity in a timely manner in response to changing market conditions, or identify suitable third-party processors for outsourcing, we may not be able to meet demand from our customers, which could cause us to lose customers or market share. Moreover, any failure to expand our processing lines or to increase their efficiency may require us to rely on third-party processors which may reduce our margins, as costs of outsourcing may increase our total processing costs. If we cannot achieve a similar efficiency and quality standard at the new Jinkai Processing Plant, or otherwise fail to increase our existing processing capacity or output, our expansion plan and future operating results may be materially and adversely affected.

Further details of our expansion plans are set out in the section headed "Business — Business strategies" of this Prospectus. There is no assurance that we will be able to implement our expansion plans as scheduled or that any such plans will be as successful as contemplated by our management. Any failure or delay in achieving any or all of our expansion plans may have a material adverse effect on our business, financial condition, results of operations and prospects.

We may not be able to secure sufficient financing to fund our growth strategy

In order to finance our growth strategy, we may have to issue additional equity, bonds, hybrid financial instruments or to obtain credit facilities in the future. We cannot be certain that suitable financing will be available in the required amounts or on acceptable terms.

If additional equity or equity-linked securities related to our Company are issued, this may result in the dilution of existing or future shareholders' holdings. If additional debt is incurred, this would result in increased debt service obligations which could have a negative impact on profitability and could increase our vulnerability to general adverse economic and industry conditions or to effects of the materialization of any of the risks mentioned herein. In addition, the terms of any financing agreement could limit our ability to pay dividends or restrict our flexibility in planning for, or reacting to, changes in our business or our industry.

The realization or occurrence of any of the aforementioned risks, restrictions or effects could have material adverse effects on our business, financial position, results of operations and growth of our business.

Risks associated with the protection and possible infringement of intellectual property rights

Our success depends in part on our ability to obtain, maintain and enforce our intellectual property rights.

We depend on our suppliers for the supply of master rolls for our processing needs and as well as the supply of finished goods for our distribution. It cannot be guaranteed that the underlying intellectual property rights for these raw material and finished goods do not infringe the intellectual property rights of third parties. Any infringement by our suppliers of the intellectual property rights of third parties may affect the supply of raw material and finished goods to us, which may in turn affect our business and financial performance.

We use various trademarks registered by Fujifilm Group in conducting our business, further details of which are set out in the section headed "Further information about the business of our Group — Intellectual property rights of our Group" in Appendix IV to this Prospectus. We also obtained some processing guidelines from Fujifilm Group. It cannot be guaranteed that the underlying intellectual property rights for the processing technologies which we use do not infringe the intellectual property rights of third parties. It cannot be guaranteed that we can continue to rely on the current in-licensed intellectual property rights or that such intellectual property rights or additional technology will be made available at acceptable terms or at all. If we are not in a position to use such third party technology or intellectual property rights, or acquire or develop our own technology, this could harm our business.

As at the Latest Practicable Date, we have registered trademarks in the PRC and Hong Kong and have a trademark application pending in Hong Kong. We have also made a patent application for our two-in-one developer-and-fixer working solution for processing of dental film in the PRC, further details of which are set out in the section headed "Further information about the business of our Group — Intellectual property rights of our Group" in Appendix IV to this Prospectus. Save as disclosed in this Prospectus, we do not own any intellectual property rights with regard to our products and processing processes. Our trade secrets, in the form of technical know-how, might be infringed upon by other parties. If we are unable to adequately protect our intellectual property rights or trade secrets or fail to secure the registration of any patent or trademarks under application, our business and financial performance may be materially and adversely affected.

In recent years, individuals and groups have begun purchasing intellectual property assets for the sole purpose of making claims of infringement and attempting to extract settlements from large companies. Third parties may claim that we are infringing upon their intellectual property rights. As at the Latest Practicable Date, we are not aware of any infringement claims of intellectual property rights against us. However, there can be no assurance that third parties will not claim such infringements in the future. Even if we believe that the claims are without merit, the claims can be time-consuming and costly to defend and distract management's attention and resources. Claims of intellectual property infringement might also require us to change our processing procedures, enter into costly settlement or license agreements or pay costly damage awards, or face a temporary or permanent injunction prohibiting us from processing, producing, marketing or selling certain products. If we cannot or does not license the infringed technology at all or on reasonable terms or substitute similar technology from another source, our financial performance could suffer.

Our Directors are aware of parallel imports bearing the Fujifilm brand name in the PRC. Fujifilm Group has confirmed that such parallel imports were not authorised by them. As we have been appointed as the sole and exclusive distributor of Fujifilm color photographic paper in the PRC, we will discuss with Fujifilm Group on appropriate actions if we become aware of large volume of parallel imports of Fujifilm color photographic paper in the PRC. If the volume of parallel imports is large, it could significantly and adversely affect our results of operations. In addition, there is no assurance that counterfeit products of our products will not infiltrate the PRC markets. Should any product counterfeiting occur, our financial performance may be materially and adversely affected.

Our activities are subject to environmental regulation

We are required to comply with environmental protection laws and regulations in the PRC. As at the Latest Practicable Date, save as disclosed in the section headed "Business — Litigation and legal compliance" in this Prospectus, we have not violated any applicable environmental protection laws in any material respect and have obtained all necessary environmental permits in respect of the business currently conducted by us. If regulations change and become more stringent (which increasingly is the case), we may have to change our current policies which may impact both the required capital expenditures and operating results. As regards the applicable PRC law, our environmental policies, status of environmental compliance, please refer to the sections headed "Regulations", "Business — Environmental matters and workplace safety" and "Business — Litigation and legal compliance" in this Prospectus for further information.

We may not be able to maintain and/or obtain approvals and licenses from PRC authorities necessary to carry out our business or to cope with future regulatory requirements

Our Directors confirmed that we have obtained the necessary approvals and licenses under applicable PRC laws for the processing and sales of our products as at the Latest Practicable Date. However, in the future, we may need further approvals or licenses, and some permits and business licenses are subject to periodic renewal by competent PRC authorities, and the standards of compliance required may change. We are subject to the supervision of several authorities, each of which may be able to revoke or refuse to grant and/or to extend permits, licenses, or approvals that are required for us to conduct our business. Future changes in legal environmental standards, product quality and safety requirements, for example, may result in more elaborate requirements and stricter enforcement, increased fines and penalties for non-compliance, increased compliance costs, more stringent government assessments, and heightened responsibility for companies as well as their directors and employees. If any of the activities carried out by us fails to meet the requirements of current or future rules, regulations and standards, or if we fail to obtain the grant or renewal of the required permits, licenses, and approvals, such failure could have material adverse effects on our business, financial position and results of operations.

We rely on certain key management personnel and may not be able to retain and attract talented personnel

We maintain an experienced and stable management team, most of whom have been with us for over five years and have extensive experience in the PRC imaging industry. Our success has been, and will continue to be, dependent upon their strategies and vision. Details of their expertise and experience are set out in the section headed "Directors and senior management" in this Prospectus. They are mainly responsible for formulating and implementing the general business strategies for our development, growth and future expansion.

Each of our executive Directors has entered into a service agreement with our Company for an initial term of three years commencing from the Listing Date unless terminated in accordance with the terms of the agreement. Any unanticipated departure of our key management personnel or other members of the senior management could have a material adverse impact on our business.

Further, there is no assurance that we will be able to manage our expansion by retaining our existing executives and other experienced personnel and/or by recruiting additional appropriate employees, as competition for such personnel is and is likely to continue to be intensive.

Risks associated with our customers

We may not be able to retain our existing customers and to further diversify our present customer base

Some of our customers have only had a short business history with us. This gives rise to concerns over whether all of our customers will in future continue to maintain or enhance their respective current business levels with us. Although we conducted analysis on the credit and marketing ability of new customers by taking into account, amongst other factors, their market reputation, product mix and sales network, the complete financial and operational information of our customers is not always available to our Directors, and our Directors are not in any position to obtain such information. If any of our major customers experiences any financial difficulties, our business with such customers may be adversely affected.

Given that our customers do not give long-term purchase commitments, they may cease to place or reduce the number of, or cancel or defer purchase orders. There can be no assurance that any of our customers will continue to place orders with us in the future at the same or higher quantity and pricing level as in the current or prior periods, or at all, or that the income generated therefrom will increase or be maintained in the future. Furthermore, the actual volume of our customers' purchase orders may not be the same as our expectations at the time we make our future processing and development plan. Our results of operations may vary from period to period and may fluctuate significantly in the future. Any unexpected cessation of, or substantial reduction in, the volume of order from any of our major customers may adversely and materially affect our business and financial performance.

We depend on wholesalers for the sales of our products but we may not have sufficient control over them

During the Track Record Period, we sold color photographic paper, industrial NDT x-ray film and dental film to wholesalers and end users. During the five months ended 31 May 2013, our sales of color photographic paper, industrial NDT x-ray film and dental film to wholesalers accounted for about 48%, 90% and 98% of our revenue for the respective products. During the Track Record Period, some of our wholesalers of color photographic paper have referred their customers to us. When we sold color photographic paper to their customers in FY2010 to FY2012, we may provide rebates to such wholesalers. Save as aforesaid, we do not have contractual relationships with the customers of our wholesalers and we do not own or manage their sales networks. We may not have sufficient control over the sales by our wholesalers and the sales networks which they operate to ensure the success of, or to prevent negative market perception about, our brands. Although we inform our wholesalers the market price of our color photographic paper and industrial NDT x-ray film derived by our analysis upon their request, such information is provided for guidance only. As we have no control over the prices at which our customers sell our products, they may fix their own prices in their sales operations which may in turn inflect damage to our brand value. If our customers experience difficulties in selling our products, they may attempt to liquidate their excessive inventory build-up through aggressive discounts, which may damage the image and the value of our products. Furthermore, difficulties faced by our wholesalers, and the sales networks which they operate, may in the future lead to reduced purchases from us. We may not be able to locate replacement wholesalers in a timely manner, and replacement wholesalers may not be able to manage sales networks of similar scale in a timely manner. Although we have records of customers of some of our wholesalers, we may incur additional costs if we sell our products to such customers directly. In such events, our business, financial position and results of operations may be materially adversely affected.

During the Track Record Period, we sold our products to more than one customer in many of the regions where we appointed wholesalers. We consider various factors in determining whether to sell our products to different customers in the same region, such as the sales network of our wholesalers in the region, the local demand for our products, our own sales network in the region and our profit margin. During the Track Record Period, most of our wholesalers were not granted exclusive distribution rights and we did not impose territorial restrictions on some of our wholesalers. Our contracts with some wholesalers contain territorial restrictions and some of such contracts in FY2010 to FY2012 for color photographic paper entitled us to cancel rebates if the wholesalers failed to comply with the territorial restrictions. We obtain customer lists from our wholesalers on their voluntary basis so that we can take appropriate actions to deter other wholesalers in our sales network from selling to the same customers when we receive complaints by the wholesalers. As far as our Directors are aware, during the Track Record Period, our revenue from sales of color photographic paper was mainly attributable to wholesalers who mainly sold the products to end users. As we do not have long term sales commitments to our customers, we may also cease cooperation with them or cease to provide the same level of rebate or travel benefits (or at all) to them if they refuse to comply with our request to cease selling outside their designated regions or cease selling to certain customers. However, as we do not own or manage the sales networks of our wholesalers, some of which may sell to other wholesalers whom we do not have direct contractual relationship with, and we do not have the customer lists of all of our wholesalers, there is no assurance that we can monitor the ongoing compliance with the above restrictions by our wholesalers or implement the above measures effectively. Cessation of sales to wholesalers may also adversely affect our business and results of operation.

Our efforts to enhance sales to end customers may not be successful and may increase administration, marketing and logistics costs. In particular, we plan to focus on sales to wholesalers to expedite the market penetration of our new products, namely, industrial NDT x-ray film and dental film, by leveraging on their local expertise and sales networks. However, as our wholesalers could distribute other branded products, including our competitors' brands, there can be no assurance that they will provide favorable marketing resources to us or continue to distribute our products. There is also no assurance that their sales capabilities will be sufficient to satisfy the needs of our expansion plans. As we rely on and will continue to rely on, to a large extent, our wholesalers as well as their established sales networks, our future success is dependent on the growth of the number of our wholesalers, their sales performance and their ability to grow their sales network.

We may not be able to accurately monitor the inventory level of our customers

As more particularly explained in the section headed "Business — Sales and marketing" in this Prospectus, some of our wholesalers of industrial NDT x-ray film and color photographic paper during the Track Record Period were entitled to varying levels of rebate and/or travel benefits if they met the sales targets prescribed in our sales contracts. We also enhanced our sales through sale promotion campaigns offering discounts from time to time. Although our customers do not give long-term purchase commitments, there is no assurance that our sales is not represented by accumulating inventory at the level of our wholesalers instead of actual sales growth. In respect of color photographic paper, we may review reports of some wholesalers to monitor their distribution flow and inventory levels. However, the implementation of the policy requires the cooperation of our customers, and we may not be able to ensure the accuracy and timeliness of the data provided by our customers. Due to the above reasons, we may not be able to accurately monitor the inventory level of our customers in respect of our products, or to identify or prevent any excessive inventory build-up at their ends.

Risks associated with our processing

Failure or breakdown of our ERP system may affect our operational and management efficiency

To cope with our business expansion, we installed a new ERP system in around mid-2012 to monitor and manage our inventory level and distribution of our products. There is no assurance that there will not be any failure or breakdown of our ERP system in the future. Any failure or breakdown of our ERP System may result in a slowdown in operational and management efficiency and adversely affect our ability to meet distribution schedules.

We may not maintain sufficient insurance coverage for the risks associated with our business operations

Our products must meet stringent industry, regulatory and customer requirements. In case a product liability claim is made, we may incur expenses and losses in connection with, for example, product recalls, increased customer service and support, the payment of monetary damages to customers, lawsuits and the loss of customers. Also our brand image and reputation could suffer, which in turn could have a material impact on our sales and financial situation.

Our businesses and operations associate with a variety of risks, including but not limited to damage to processing facilities, inventory, transportation damages and delays, losses of key personnel and risks posed by natural disasters. Our Directors believe that we have maintained insurance coverage we consider necessary and sufficient for our operations and customary for the industry in which we operate. See the section headed "Business — Insurance" for further information. There is however no assurance that the insurance coverage is sufficient to cover all losses that may be sustained by us, or that we can successfully claim the losses under our current insurance policies on a timely basis or at all. If we incur any loss which is not covered by the insurance policies, or the compensated amount is significantly less than the actual loss, our financial position and results of operations could be materially and adversely affected.

Any significant damage to our processing facilities could have a material adverse effect on our results of operations

Our ability to meet the demands of, and our contractual obligations to, our customers and our ability to grow our business are heavily dependent on efficient, proper and uninterrupted operations at our facilities. Power failures or disruptions, the breakdown, failure or substandard performance of equipment, the destruction of buildings, and other facilities due to fire or natural disasters such as hurricanes, severe winter storms, flood, droughts or earthquakes would severely affect our ability to continue our operations and may cause significant property damage and personal injuries. As of the Latest Practicable Date, we did not carry any business interruption insurance and our insurance policies may not be sufficient to compensate us for damages of such buildings, equipment and infrastructure. In addition, there are certain types of losses, such as from war, acts of terrorism, earthquakes, typhoons, flooding and other natural disasters, for which we cannot obtain insurance at a reasonable cost or at all. Any such events and any losses or liabilities that are not covered by our current insurance policies could have a material adverse effect on our business, financial position, results of operations and prospects.

Our Gaoxin Processing Plant is situated on leasehold properties

As at the Latest Practicable Date, save for the processing of PWB film, all of our processing operations are conducted at Gaoxin Processing Plant, which is situated on leasehold properties. As set out in the section headed "Business — Properties — Leased properties" in this Prospectus, our lease agreements for Gaoxin Processing Plant will expire on 30 June 2015. As more particularly described in the section headed "Business — Processing — Processing facilities" of this Prospectus, we plan to relocate some of our processing facilities from Gaoxin Processing Plant to Jinkai Processing Plant in around December 2013, subject to obtaining requisite government approvals. In the event of an early termination by the lessor of the lease agreements for any reason or if our lease agreements for the Gaoxin Processing Plant are not renewed upon their expiry on the same terms or at all, we may be required to relocate such processing facilities before the construction of our Jinkai Processing Plant is completed and/or find alternative location for some of our processing facilities. There is no assurance that we would be able to secure alternative locations or negotiate lease agreements on commercially reasonable terms in a timely manner, or at all. Any such events could have a material adverse effect on our business, financial position and result of operations.

Macro-economic factors may have a material adverse effect upon our business, financial condition and results of operations

The industries in which we operate are affected by macro-economic factors, including changes in international, national, regional, and local economic conditions and consumer spending patterns. The disruptions in the overall economy and financial markets and the related reduction in consumer confidence in the economy since 2008 may negatively affect our industries. It is uncertain whether the recovery from the global financial crisis of 2008 is sustainable. A slowdown in China's economy or the global economy may lead to a reduction in purchases of our products and materially and adversely affect our financial condition and results of operations.

Moreover, the occurrence of a sovereign debt crisis, banking crisis or other financial disruptions that could impact the availability of credit may have a material and adverse impact on financings available to us. Renewed financial turmoil affecting the financial markets, banking systems or currency exchange rates may significantly restrict our ability to obtain financing in the capital markets or from financial institutions on commercially reasonable terms, or at all, which could materially and adversely affect our business, financial condition and results of operations.

It may be difficult to effect service of process upon our Directors or executive officers who live in the Republic of Indonesia or to enforce against them in the Republic of Indonesia any judgments obtained from non-Indonesian courts

As at the Latest Practicable Date, one of our executive Directors reside within the Republic of Indonesia and none of his assets are located in Hong Kong. Therefore, it may not be possible for investors to effect service of process upon such Director in the Republic of Indonesia or to enforce against such Director in the Republic of Indonesia any judgments obtained from non-Indonesian courts.

RISKS RELATING TO THE PRC

Our business may be affected by political and economic environment in the PRC

We derive all of the revenue from our operations in the PRC. Accordingly, our business, financial condition or results of operations are subject, to a significant degree, to economic, political and legal developments in the PRC. The PRC government exercises significant control over the PRC's economic growth. The PRC government has implemented certain economic reform measures which emphasize utilization of market forces in the development of the economy of the PRC. There is no assurance that changes in the PRC economic, political and social conditions, laws, regulations and policies will not have any adverse effect on our current or future business and financial conditions.

Political events have caused tension between China and Japan sporadically. In 2012, tension flared amidst disputes between China and Japan over the ownership of islands in the East China Sea and this adversely affected the trade relations between Japan and the PRC. If negative sentiment for Japanese products and businesses continues or worsens, we cannot assure you that our business, financial position and results of operations would not be adversely affected.

There are uncertainties on interpretation and enforcement of PRC laws and regulations

We conduct our business mainly within the PRC and the operations are governed by PRC law and regulations. The PRC legal system is a codified system with written statutes; prior court decisions can only be cited as reference but have limited precedential value. The PRC government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organization and governance and taxation, with the aim to develop a comprehensive system of commercial law. However, interpretation and enforcement of PRC laws and regulations is subject to a degree of uncertainty as some of these laws and regulations are recently enacted and are relatively new, and there are limited volumes of published court decisions which are non-binding in nature. In addition, litigation in the PRC may be protracted and result in substantial costs and diversion of resources and management attention.

Changes in foreign exchange regulations may adversely affect our results of operations

The PRC government regulates the conversion between Renminbi and foreign currencies. Over the years, the PRC government has significantly reduced its control over routine foreign exchange transactions under current accounts, including trade and service-related foreign exchange transactions and payment of dividends. However, foreign exchange transactions under capital accounts continue to be subject to significant foreign exchange controls and require the approval of, or registration with, SAFE or its local branches. As such, any foreign exchange transactions for capital expenditures on equipment or merchandise require prior approvals from SAFE or its local branches. If we are not able to obtain such approvals, the capital expenditure plans and, consequently, the ability to grow the business, could be affected.

In addition, there can be no assurance that the current PRC foreign exchange policies regarding debt service and payment of dividends in foreign currencies will continue in the future. Changes in PRC foreign exchange policies might have a negative impact on the ability to distribute dividends to the Shareholders in foreign currencies.

PRC regulation of loans and direct investments by offshore holding companies to PRC entities may delay or prevent us from using the proceeds we receive from this offering to make loans or additional capital contributions to the PRC operating subsidiaries

In utilizing the proceeds we receive from this offering in the manner described in the section headed "Future plans and use of proceeds" in this Prospectus as an offshore holding company with PRC subsidiaries, we may make loans to the PRC subsidiaries, or we may make additional capital contributions to the PRC subsidiaries. Any loans to the PRC subsidiaries are subject to PRC regulations and approvals. For example, loans to the PRC subsidiaries, which are foreign-invested enterprises, to finance their activities cannot exceed statutory limits and must be registered with the State Administration of Foreign Exchange in China, or SAFE, or its local counterpart. Loans by us to domestic PRC enterprises must be approved by the relevant government authorities and must also be registered with the SAFE or its local counterpart. Any capital contributions to the PRC subsidiaries must be approved by the Ministry of Commerce in China or its local counterpart. On August 29, 2009, SAFE promulgated "Notice of the General Affairs Department of the State Administration of Foreign Exchange on the Relevant Operating Issues concerning the Improvement of the Administration of Payment and Settlement of Foreign Currency Capital of Foreign-funded Enterprises (Hui Zong Fa [2009] No. 142) (《國家外匯管理局綜合司關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知》匯綜發[2009]142號), or Circular 142 which provides Renminbi capital converted from the foreign currency-denominated capital of a foreign-invested company may only be used for purposes within the business scope approved by the applicable governmental authority and shall not be used for equity investments within the PRC unless specifically provided for otherwise. In addition, SAFE strengthened its oversight over the flow and use of Renminbi funds converted from the foreign currency-denominated capital of a foreign-invested company. The use of such Renminbi may not be altered without approval from SAFE, and may not be used to repay Renminbi loans if the proceeds of such loans have not yet been used. Violations of Circular 142 may result in severe penalties, including substantial fines as set forth in the Foreign Exchange Administration Rules.

We cannot assure you that we will be able to obtain these government registrations or approvals on a timely basis, if at all, with respect to the future loans or capital contributions to the direct or indirect subsidiaries. If we fail to receive such registrations or approvals, the ability to use the proceeds of this offering and to capitalize the PRC operations may be negatively affected, which could materially and adversely affect the liquidity and ability to fund and expand the business.

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

All of our operations are conducted in the PRC. As at the Latest Practicable Date, most of our executive Directors and senior management personnel reside within the PRC and their assets may also be located in the PRC. Therefore, it may be difficult for investors to effect service of process upon such persons. The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of the courts of the United Kingdom, the United States and many other countries. Although "An Arrangement between the Mainland and Hong Kong Special Administrative Region on Reciprocal Recognition and Enforcement of judgments of Civil and Commercial Case under the Jurisdictions as Agreed to by the Parties Concerned" was executed on July 3, 2008 and became effective on August 1, 2008, there are many restrictions on the arrangement. As a result, the investors may not be able to effect service of process pursuant to the authority of non-PRC courts upon our subsidiaries or our Directors. Further, the recognition and enforcement in the PRC of judgments of courts outside the PRC may be difficult or impossible.

PRC tax law may affect tax exemptions on dividends received by our Company and Shareholders and increase the enterprise income tax rate

The PRC Enterprise Income Tax Law ("EIT Law") (中華人民共和國企業所得税法) and its implementation rules were enacted on 16 March 2007 and 6 December 2007, respectively, and both of which have become effective as at 1 January 2009. If our Company is deemed to be a non-PRC tax resident enterprise without an office or premises in the PRC, a withholding tax at the rate of 10% will be applicable to any dividends paid to our Company, unless our Company is entitled to reduction or elimination of such tax, including by tax treaties. Under an arrangement between China and Hong Kong, such dividend withholding tax rate is reduced to 5% if a Hong Kong tax resident enterprise owns over 25% of the PRC company distributing the dividends. Pursuant to the Administrative Measures for Non-Residents Enjoying Tax Treaty Benefits (Trial Implementation) (非居民享受税收協定待遇管理辦法(試行)) released by the State Administration of Taxation on 24 August 2009 and took effect on 1 October 2010, our Company needs to obtain approval from the Shanghai and Guangxi Branch of the State Administration of Taxation in order to enjoy the preferential withholding tax rate of 5% in accordance with the double taxation arrangement. Any such tax and new enactment and change of PRC tax law affecting tax exemptions on dividends may reduce the amount of dividends that could be distributed to our Company and Shareholders.

In addition, the new EIT Law provides that, if an enterprise incorporated outside the PRC has its "de facto management organization" located within the PRC, such enterprise may be recognized as a PRC tax resident enterprise and thus may be subject to enterprise income tax at the rate of 25% on its worldwide income. Substantially all members of the management are located in the PRC, our Company may be deemed as a PRC tax resident enterprise and therefore subject to an enterprise income tax rate of 25% on its worldwide income, excluding the dividends received directly from another PRC tax resident. Any such tax may reduce the returns on your investment in our Shares.

Our ability to pay dividends is dependent upon our subsidiaries' earnings and distributions, and our ability to utilize cash resources maybe restricted by the foreign currency approval system

Our Company is a holding company. Our turnover is generated from our business operations conducted through our subsidiaries. Our Company's ability to make dividend payments and other distributions in cash, pay expenses, service any debts incurred, and finance the needs of other subsidiaries, depends upon the receipt of dividends or other distributions from our subsidiaries. The ability of our subsidiaries to pay dividends or other distributions may be subject to their earnings, financial positions, cash requirements and availability, applicable laws, rules and regulations, and restrictions on making payments to our Company contained in financing or other agreements. If any of our subsidiaries incurs debt in its own name, the instruments governing the debt may restrict dividends or other distributions on its equity interest to us. These restrictions could reduce the amount of dividends or other distributions that our Company receives from our subsidiaries, which could in turn restrict our ability to fund our business operations and to pay dividends to our Shareholders. Our Company's historical declaration of dividends may not reflect our future declarations of dividends and will be at the absolute discretion of our Board.

Furthermore, the applicable PRC laws, rules and regulations allow payment of dividends by our PRC subsidiaries only out of their retained earnings, if any, determined in accordance with PRC accounting standards. Our PRC subsidiaries are required to set aside a certain percentage of their after-tax profit based on PRC accounting standards each year to their respective reserve funds in accordance with the requirements of relevant laws and provisions in their respective articles of associations. As a result, our PRC subsidiaries are restricted in their ability to transfer a portion of their net income to us in the form of dividends. Any restriction on the ability of our PRC subsidiaries to pay dividends to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our businesses, pay dividends or otherwise fund and conduct our business.

Furthermore, the PRC Government imposes restrictions over converting Renminbi into foreign currencies, which will limit the transactions involving foreign currencies. Moreover, as we generate all of our revenue in Renminbi, the PRC subsidiaries need to convert a portion of their revenues into foreign currencies to pay dividends to our Company. Under the existing foreign exchange regime in China, conversion of Renminbi into foreign currencies for payment of dividends is subject to SAFE procedural requirements. Changes in the PRC's foreign exchange regulations may adversely affect the ability to transfer funds to and receive dividends from the PRC subsidiaries. Distributions by our PRC subsidiaries to our Company in forms other than dividends may be subject to government approval and taxes.

Any transfer of funds from our Company to our PRC subsidiaries, either as a shareholder loan or as an increase in registered capital, is subject to registration with, or approval of, the relevant PRC government authorities. In addition, our PRC subsidiaries are not permitted to lend funds directly to each other under the relevant PRC laws and regulations. These limitations on the flow of funds between and amongst us and our PRC subsidiaries could restrict our ability to respond to changing market conditions or appropriately allocate funds to our PRC subsidiaries in a timely manner, or at all.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior market for the Shares and the Global Offering may not result in an active or liquid market for the Shares

Prior to this Global Offering, there has not been a public market for the Shares. There can be no assurance that an active trading market for the Shares will develop or be sustained after the Global Offering. Prices for the Shares will be determined in the market place and may be influenced by a number of factors, including the liquidity of the Shares, investor perceptions of us and our industry and general economic and market conditions in the PRC. If an active market for the Shares does not develop after completion of the Global Offering, the market price and liquidity of the Shares may be adversely affected, and investors may be required to hold their Shares for an indefinite period of time or sell them at prices lower than they paid.

The trading prices of the Shares may fluctuate substantially in response to, among other factors:

- fluctuations in our interim or annual results of operations;
- changes in financial estimates by securities analysts;
- investors' perception of the business performance and our business prospects and the competitiveness of the image printing products and medical imaging products industries in the PRC against all other countries as a whole;
- changes in policies and developments related to the image printing products and medical imaging products industries in the PRC; and
- general economic and other factors.

The Offer Price may not be indicative of prices that will prevail in the trading market and such market prices may be volatile

The Offer Price will be determined by our Company and the Underwriters and may not be indicative of prices that will prevail in the trading market. Investors may not be able to resell their Shares at or above the initial public offering price. The financial markets in Hong Kong have experienced significant price and volume fluctuations, and market prices of technology companies, for instance, have been and continue to be extremely volatile. Volatility in the price of the Shares may be caused by factors outside our control and may be unrelated or disproportionate to our operating results.

Shareholders' interests in our Company may be diluted

Our Company has adopted the Share Option Scheme, the principal terms of which are summarized under the section headed "Share Option Scheme — Summary of the terms of the Share Option Scheme" in Appendix IV to this Prospectus. Any exercise of the options which may be granted under the Share Option Scheme after the Listing will result in a dilution in the earnings per Share and net asset value per Share.

Our Company may need to raise additional funds in the future to finance business expansion. If additional funds are raised through the issuance of new Shares or other equity-linked securities of the Company other than on a pro-rata basis to existing Shareholders, the percentage ownership of the existing Shareholders may be reduced and Shareholders may experience subsequent dilution. In addition, any such new securities may have preferred rights, options or pre-emptive rights that make them more valuable than, preferred or senior to the Shares.

Our Controlling Shareholders may exert substantial influence over us and may not act in the best interest of the independent Shareholders

On the date of completion of the Global Offering, assuming that the Over-allotment Option is not exercised, our Controlling Shareholders will own approximately 73.73% of the Shares in issue. Our Controlling Shareholders will be in a position to exert significant influence over the affairs of our Company, and will be able to influence the outcome of any shareholders' ordinary resolutions, irrespective of how other Shareholders vote. The interests of our Controlling Shareholders may not necessarily be aligned with the Shareholders as a whole, and this concentration of ownership may also have the effect of delaying, deferring or preventing a change in control of our Company.

Our Company will continue to be controlled by our Controlling Shareholders following completion of the Global Offering, whose interests may differ from those of other Shareholders

As of the Latest Practicable Date, our Controlling Shareholders owned approximately 98.31% of the Shares in issue. Immediately following completion of the Global Offering, our Controlling Shareholders will own approximately 73.73% of the Shares in issue assuming the Over-allotment Option is not exercised. Subject to the Articles and applicable laws and regulations, our Controlling Shareholders will be able to influence major policy decisions, including our overall strategic and investment decisions, by:

- controlling the election of Directors and, in turn, indirectly controlling the selection of senior management;
- determining the timing and amount of dividend payments;
- approving annual budgets;
- deciding on increases or decreases in share capital;
- determining the size and timing of any issuances of new securities; and
- approving mergers, acquisitions and disposals of our assets or businesses.

The interests of our Controlling Shareholders could be different from the interests of other Shareholders. Accordingly, our Controlling Shareholders may take actions (including, for example, an excessively high rate of dividend distributions) that favor their own interests and which may not be in the best interests of other Shareholders.

We cannot guarantee the accuracy of certain facts and statistics contained in this Prospectus

This Prospectus contains information and statistics that are derived from various official government and other publications and from a third party report commissioned by us. We believe that the sources of the information are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is materially false or misleading, and no fact has been omitted that would render such information materially false or misleading. However, the information has not been independently verified by us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors and advisers or any other parties involved in the Global Offering and no representation is given as to its accuracy.

Investors should read the entire prospectus carefully and should not consider any particular statements in this Prospectus or in published media reports without carefully considering the risks and other information contained in this Prospectus

There has been media coverage regarding the Global Offering and our business. We do not accept any responsibility for the accuracy or the completeness of such media coverage or forward looking statements and make no representation as to the appropriateness, accuracy, completeness or reliability of any information disseminated in the media. We disclaim any information in the media to the extent that such information is inconsistent or conflicts with the information contained in this Prospectus. Accordingly, prospective investors should not rely on any of the information in press articles or other media coverage.

Dividend paid in the past may not be indicative of the amount of future dividend payment or our Company's future dividend policy

In November 2012, Yestar Technology declared dividends to its then shareholders of about RMB47.4 million in total for the periods from 1 January 2010 to 31 October 2012, while Yestar Medical declared dividends to its then shareholder of about RMB44.5 million in total for the same periods. Save as aforesaid, no dividend has been declared or paid by our Group during the Track Record Period and from 1 June 2013 up to the Latest Practicable Date. We cannot guarantee when, if and in what form dividends will be declared and paid on our Shares following the Global Offering, and 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. The decision to declare any dividends is subject to the Board's discretion, and approval by Shareholders, as well as factors including but not limited to our profitability, financial condition, business development requirements, business prospects, cash requirements, payments by our subsidiaries of cash dividend to us, regulatory and contractual restrictions on our declaration and payment of dividends, our constitutional documents and applicable laws. We may not have sufficient or any profits or distributable reserve legally available for distribution to enable us to make dividend distributions to our Shareholders in the future.

FORWARD LOOKING STATEMENTS

This Prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, but not limited to, statements relating to:

- our business and operating strategies and the measures to implement such strategies;
- our dividend policy;
- our capital investment plans;
- our operations and business prospects, including any new businesses;
- our overall financial condition;
- the regulatory environment as well as the general industry outlook for the industry in which we operate; and
- general economic trends in the PRC.

The words "anticipate", "believe", "could", "expect", "going forward", "intend", "may", "plan", "seek", "will", "would" and similar expressions, as they relate to our business, are intended to identify a number of these forward-looking statements. Such statements reflect the current views of our management with respect to future events and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this Prospectus. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove to be incorrect, our financial condition may be adversely affected and may vary materially from those described herein as anticipated, believed, estimated or expected. Accordingly, such statements are not a guarantee of future performance and you should not place undue reliance on such forward-looking information.

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, a new applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong, and this will normally mean that at least two of its executive directors must be ordinarily resident in Hong Kong.

Our headquarters is based in Shanghai, the PRC and our operations and business are substantially carried out in and managed in the PRC. Accordingly, out of six executive Directors, five executive Directors are based in the PRC to oversee the business and operations of our Group, and one executive Director travels between the PRC, Indonesia and Singapore from time to time. We currently do not have and do not propose to have any business operations in Hong Kong.

In this connection, we do not contemplate in the foreseeable future that we will have a sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules. Accordingly, we have applied to the Stock Exchange for a waiver from strict compliance with Rule 8.12 of the Listing Rules on the following grounds:

(a) our Group's headquarters is based in Shanghai, the PRC and our Group's business and operation are substantially carried out in the PRC;

(b) the majority of our Company's directors as well as the majority our Group's senior management is ordinarily residents of the PRC and is located in the PRC;

(c) Mr. Koo Cheuk On Timmie, our company secretary who is ordinarily resident in Hong Kong, and Ms. Wang Hong have been appointed as the authorized representatives of our Company whom the Stock Exchange can contact in relation to matters and/or queries regarding our Company;

(d) as the management and operations of our Group are substantially in the PRC, appointment of executive Directors who are ordinarily residents of Hong Kong would not only increase the administrative expenses of our Group, but would also reduce the effectiveness and responsiveness of our Board in making decisions for our Group. Further, if executive Directors who are ordinarily residents in Hong Kong are to be appointed, as they will not be physically present in the PRC all the time, they will not be able to fully understand the daily operations of the core business of our Group or fully appreciate the circumstances surrounding or affecting the core business operations and development of our Group from time to time. As such, such executive Directors may not be able to exercise their decision in a fully informed basis, or make appropriate business decisions or judgments that are most beneficial to the operation and development of our Group; and

(e) relocation of executive Directors to Hong Kong will not be in the interests of our Company which operations are substantially managed and conducted in the PRC. Application for residency in Hong Kong requires time, and will be burdensome and costly for our Company.

The Stock Exchange has granted such waiver subject to the following conditions:

(i) the authorized representatives will act as our Company's principal channel of communication with the Stock Exchange;

(ii) the authorized representatives have means of contacting all our Directors promptly at all times as and when the Stock Exchange wishes to contact our Directors on any matters;

(iii) all our Directors who are not ordinarily resident in Hong Kong possess or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period;

(iv) the Company's compliance adviser will act as an additional channel of communication with the Stock Exchange; and

(v) all our Director will provide the Stock Exchange with their respective mobile phone numbers, office phone numbers, email addresses and fax numbers.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This Prospectus includes particulars given in compliance with the Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules of the SFO and the Listing Rules for the purpose of giving information to the public with regard to our Group. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief,

1. there are no other facts or matters the omission of which would make any statement in this Prospectus misleading;

2. the information contained in this Prospectus is accurate and complete in all material aspects and is not misleading or deceptive; and

3. all opinions expressed in this Prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

UNDERWRITING

This Prospectus is published solely in connection with the Hong Kong Public Offering which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this Prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offering.

The Listing is sponsored by the Sole Sponsor. The Hong Kong Public Offering will be fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to the agreement to the Offer Price between our Company and the Sole Global Coordinator (for itself and on behalf of the other Underwriter). The Global Offering is managed by the Sole Global Coordinator. The International Placing will be fully underwritten by the International Underwriters under the terms of the International Underwriting Agreement. For further information about the Underwriters and the underwriting arrangements, please refer to the section headed "Underwriting" in this Prospectus.

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which will be determined by the Sole Global Coordinator (for itself and on behalf of the other Underwriter) and our Company on or around Thursday, 3 October 2013 (Hong Kong time) or such later time as may be agreed between the Sole Global Coordinator (for itself and on behalf of the other Underwriter) and our Company, but in any event no later than Friday, 4 October 2013 (Hong Kong time).

If, for any reason, the Offer Price is not agreed among our Company and the Sole Global Coordinator (for itself and on behalf of the other Underwriter), the Global Offering will not proceed.

RESTRICTIONS ON SALES OF OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares or the distribution of this Prospectus and/or the related Application Forms in any jurisdiction other than Hong Kong. Accordingly, this Prospectus may not be used for the purpose of, and does not constitute, an offer or invitation, nor is it calculated to invite or solicit offers in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this Prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the securities laws of such jurisdiction pursuant to registration with or an authorization by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been offered and sold, and will not be offered or sold, directly or indirectly in the PRC or the U.S., except in compliance with the relevant laws and regulations of each such jurisdiction.

The Offer Shares are offered to the public in Hong Kong for subscription solely on the basis of the information contained and the representations made in this Prospectus and the related Application Forms. No person is authorized in connection with the Global Offering to give any information or to make any representation not contained in this Prospectus, and any information or representation not contained in this Prospectus must not be relied upon as having been authorized by our Company, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor, the Underwriters, any of their respective directors, agents or advisers or any other person involved in the Global Offering.

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

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

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Application has been made to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this Prospectus.

No part of the equity of our Company is listed or dealt in on any other stock exchange and, at present, no such listing or permission to deal is being or is proposed to be sought on any other stock exchange in the near future.

HONG KONG REGISTER AND STAMP DUTY

Our Company's principal register of members will be maintained in the Cayman Islands by Codan Trust Company (Cayman) Limited and a branch of register will be maintained by Tricor Investor Services Limited, in Hong Kong. Dealings in the Shares registered in the register members of our Company in Hong Kong will be subject to Hong Kong stamp duty.

PROFESSIONAL TAX ADVICE RECOMMENDED

Applicants for the Offer Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing, purchasing, holding, disposing or dealing in the Shares. It is emphasized that none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, agents or advisers or any other party involved in the Global Offering accepts responsibility for any tax effects on or liabilities of any person resulting from the subscription, purchase, holding, disposal or dealing of Shares.

OVER-ALLOTMENT AND STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the market price of the securities below the offer price. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager or its affiliates or any person acting for it, as stabilizing manager, may over-allocate or effect transactions with a view to stabilizing or maintaining the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the commencement of trading in the Shares on the Stock Exchange. Such transactions may be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager, its affiliates or any person acting for it to do this. Such stabilization, if commenced, will be conducted at the absolute discretion of the Stabilizing Manager, its affiliates or any person acting for it and may be discontinued at any time, and must be brought to an end after a limited period.

In connection with the Global Offering, the Sole Global Coordinator may over-allocate up to and not more than an aggregate of 16,875,000 additional Shares and cover such by exercising the Over-allotment Option at any time from the Listing Date up to and including the date which is the 30th day after the last day for lodging of the Application Forms under the Hong Kong Public Offering or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means. In particular, for the purpose of covering such over-allocations, the Stabilizing Manager may borrow up to 16,875,000 Shares from Ms. Jeane Hartono, equivalent to the maximum number of Shares to be issued on a full exercise of the Over-allotment Option, under the Stock Borrowing Agreement.

Further details with respect to stabilization and the Over-allotment Option are set out in the section headed "Structure of the Global Offering — International Placing — Over-allotment Option" in this Prospectus.

STOCK BORROWING ARRANGEMENT

For the purpose of covering over-allocations in the International Offering, the Stabilizing Manager, in its capacity as stabilizing manager, may borrow up to 16,875,000 Shares from Ms. Jeane Hartono, equivalent to the maximum number of Shares to be issued on a full exercise of the Over-allotment Option, under the Stock Borrowing Agreement. Such stock borrowing arrangement will be in compliance with Rule 10.07(3) of the Listing Rules.

PROCEDURE FOR APPLICATION FOR THE HONG KONG OFFER SHARES

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

STRUCTURE OF THE GLOBAL OFFERING

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

ROUNDING

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

CURRENCY TRANSLATIONS

For the purpose of illustration only and unless otherwise specified in this Prospectus, amounts denominated in RMB and USD have been translated into HK$ at the rate of RMB0.796 = HK$1.0 and USD1.0 = HK$7.7633. No representation is made that the RMB and USD amounts could have been, or could be, converted into HK$ at such rates or at any other rate on such date or on any other date or at all.

LANGUAGE

If there is any inconsistency between this Prospectus and the Chinese translation of this Prospectus, this Prospectus shall prevail. Translated English names of Chinese laws and regulations, government authorities, institutions, natural persons or other entities included in this Prospectus and for which no official English translation exists are unofficial translations for your reference only.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on the Stock Exchange and 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 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 stockbroker or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence on or about Friday, 11 October 2013. Shares will be traded in board lots of 2,500 Shares each.

DIRECTORS

Name	Residential address	Nationality
Executive Directors		
Mr. HARTONO James (何震發)	JL Jambu No. 88, RT 05/02 Gondangdia, Menteng Jakarta Pusat Indonesia	Indonesian
Ms. WANG Ying (王瑛)	No. 6-301#, Nong 3355 Road Chun Shen District Min Hang Shanghai, PRC	Chinese
Mr. CHAN To Keung (陳道強)	No. 5-2702#, Han Lin Ya Zhu District Xi Xiang Tang Nanning City Guangxi Province, PRC	Chinese
Ms. WANG Hong (王泓)	No. 44-1101#, Nong 108 Road Shan Hua District Min Hang Shanghai, PRC	Chinese
Ms. ZHANG Qi (張琦)	No. 22-601#, Nong 325 Road Lian Hua District Min Hang Shanghai, PRC	Chinese
Ms. HENG Yinmei (衡銀梅)	No. 37-502#, Nong 588 Road Shui Qing District Min Hang Shanghai, PRC	Chinese
Independent non-executive Directors		
Dr. HU Yiming (胡奕明)	No. 98-1101#, Nong 289 Road Ji Nian District Yang Pu Shanghai, PRC	Chinese
Mr. KARSONO Tirtamarta (KWEE Yoe Chiang) (郭豐誠)	3B Swettenham Road Singapore 248078	Singaporean
Mr. SUTIKNO Liky	Kepaduri Block G No.3 JL. Mangga 2 West Jakarta, 11510 Indonesia	Indonesian

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor	Haitong International Capital Limited 22/F, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong
Joint Bookrunners and Joint Lead Managers	Haitong International Securities Company Limited 22/F, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong
	China Galaxy International Securities (Hong Kong) Co., Limited Units 3501-7 & 3513-14, 35/F, Cosco Tower, 183 Queen's Road Central, Hong Kong
Hong Kong Underwriters	Haitong International Securities Company Limited 22/F, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong
	China Galaxy International Securities (Hong Kong) Co., Limited Units 3501-7 & 3513-14, 35/F, Cosco Tower, 183 Queen's Road Central, Hong Kong
Legal advisers to our Company	*As to Hong Kong law* Woo, Kwan, Lee & Lo 26/F, Jardine House, 1 Connaught Place, Hong Kong
	As to PRC law Jingtian & Gongcheng 34/F, Tower 3, China Central Place 77 Jianguo Road Chaoyang District, Beijing 100025 PRC

	As to Cayman Islands law Conyers Dill & Pearman (Cayman) Limited Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Legal advisers to the Sole Sponsor and the Underwriters	*As to Hong Kong law* Deacons 5th Floor Alexandra House 18 Chater Road Central Hong Kong *As to PRC law* Commerce & Finance Law Offices 6F NCI Tower, A12 Jianguomenwai Avenue, Beijing, PRC
Reporting accountants	Ernst & Young *Certified Public Accountants* 22/F, Citic Tower 1 Tim Mei Avenue Central Hong Kong
Receiving bank	Bank of Communications Co., Ltd. Hong Kong Branch 20 Pedder Street, Central, Hong Kong

Registered office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Place of business in Hong Kong registered under Part XI of the Companies Ordinance	Flat/Rm 2403 Tung Wai Commercial Building 109-111 Gloucester Road Wan Chai Hong Kong
Headquarters and principal place of business	Room 805 Block 2 No. 58 Shen Jian Dong Lu Min Hang District Shanghai PRC
Company's website	www.yestarcorp.com (information on the website does not form part of this Prospectus)
Company secretary	Mr. KOO Cheuk On Timmie, *HKICPA*
Authorized representatives	Mr. KOO Cheuk On Timmie Unit 2403 Tung Wai Commercial Building 109-111 Gloucester Road Wan Chai Hong Kong Ms. WANG Hong No. 44-1101#, Nong 108 Road Shan Hua District Min Hang Shanghai PRC
Audit Committee	Dr. HU Yiming*(Chairman)* Mr. KARSONO Tirtamarta (KWEE Yoe Chiang) Mr. SUTIKNO Liky

Remuneration Committee	Mr. KARSONO Tirtamarta (KWEE Yoe Chiang) *(Chairman)* Dr. HU Yiming Mr. SUTIKNO Liky
Nomination Committee	Mr. SUTIKNO Liky *(Chairman)* Mr. KARSONO Tirtamarta (KWEE Yoe Chiang) Dr. HU Yiming
Principal Share Registrar and Transfer Office	Codan Trust Company (Cayman) Limited Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Hong Kong Branch Share Registrar and Transfer Office	Tricor Investor Services Limited 26/F, Tesbury Centre 28 Queen's Road East Wan Chai Hong Kong
Compliance Adviser	Haitong International Capital Limited 22/F, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong
Principal Banks	Bank of Communications Shanghai Tianyaoqiao Road Sub-branch 1/F, No.93, Tianyaoqiao Road, Xuhui District, Shanghai Bank of China Gaoxin Sub-branch No.25-1, Keyuan Road, Nanning, Guangxi Guangxi Beibu Gulf Bank Gaoxin Sub-branch 1/F, Block A, Jinning New City, No.49, Keyuan Road, Nanning

This section contains certain information which is derived from a report we commissioned from Frost & Sullivan, an Independent Third Party. The information extracted from the Frost & Sullivan Report reflects estimates of market conditions based on samples, and is prepared primarily as a marketing research tool. References to the Frost & Sullivan Report should not be considered as Frost & Sullivan's opinion as to the value of any security or the advisability of investing in us.

Our Directors believe that the official government publications and sources of the information extracted from the Frost & Sullivan Report are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. Our Directors have no reason to believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading. The information extracted from the official government publications and the Frost & Sullivan Report has not been independently verified by us, or any of our affiliates or advisers, nor by the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Underwriters or any of their respective directors, affiliates or advisers or any party involved in the Global Offering. Further, the information from official government publications may not be consistent with information available from other sources within or outside the PRC. We, our affiliates or advisers, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Underwriters or their respective directors, affiliates or advisers, or any party involved in the Global Offering do not make any representation as to the accuracy, completeness or fairness of such information and, accordingly, you should not unduly rely on such information. Our directors confirmed that, after taking reasonable care, there is no material adverse change on the market information disclosed in this section since the date of the Frost & Sullivan Report.

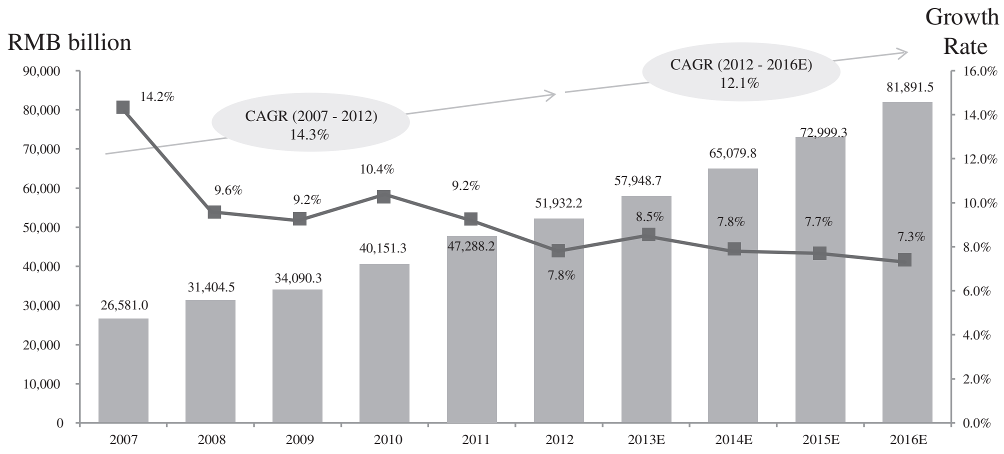
OVERVIEW OF ECONOMY IN THE PRC

Growth of the economy and consumption in the PRC

Growth of nominal GDP and per capita nominal GDP of the PRC

Since the implementation of economic reform and opening-up policy in the 1980s, China has experienced tremendous economic growth. According to the Frost & Sullivan Report, from 2007 to 2012, China has enjoyed great economic prosperity, with nominal GDP increasing from about RMB26,581.0 billion in 2007 to about RMB51,932.2 billion in 2012, representing a CAGR of about 14.3%. China government's economic stimulus in 2009 has exerted positive effects on the country's economic growth. From 2009 to the 4th quarter of 2010, after two years of adjustment, the economic growth of China has returned to the fast lane. According to the Frost & Sullivan Report, by 2016, the nominal GDP of China is expected to grow to about RMB81,891.5 billion representing a CAGR of about 12.1% from 2012 to 2016.

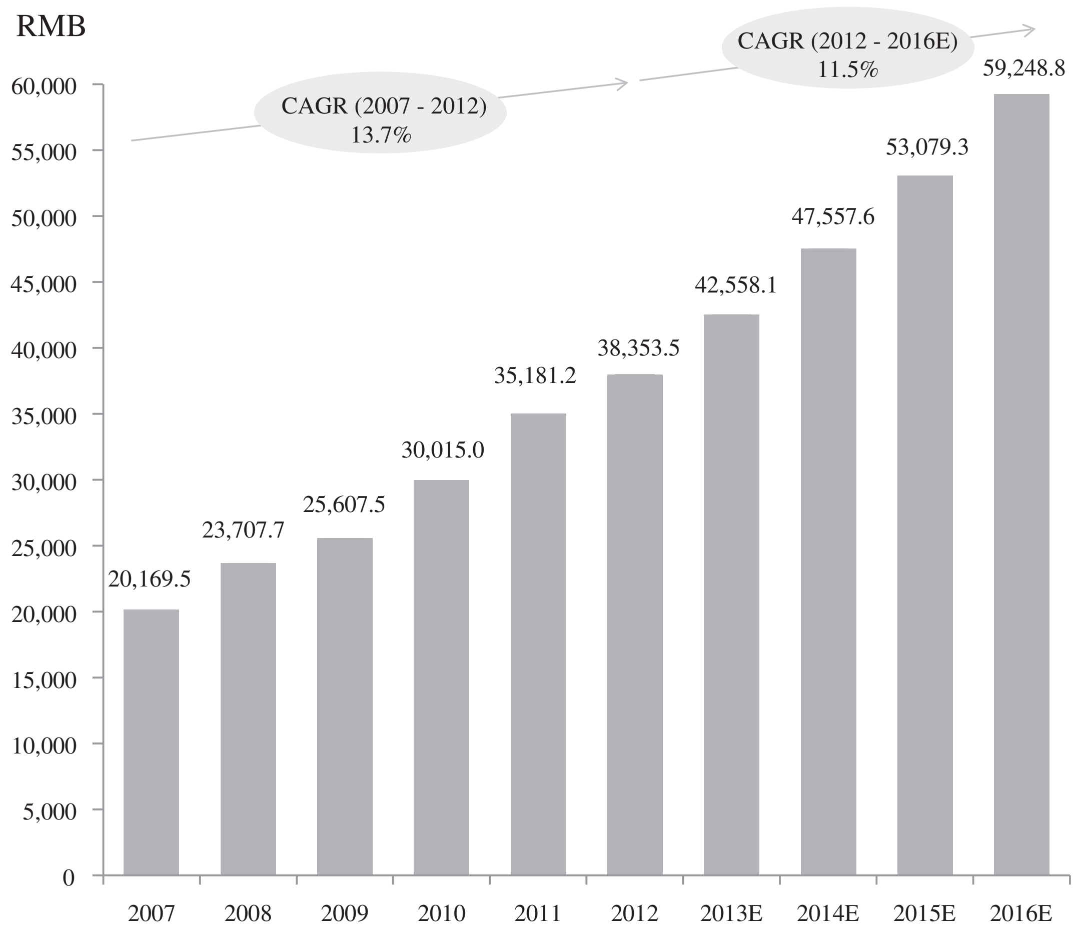
China's nominal GDP, 2007-2016E



Source: Frost & Sullivan Report

For nearly two decades, China has kept steady economic development and slow population growth, which had led to an increase in per capita nominal GDP. According to the Frost & Sullivan Report, from 2007 to 2012, China's per capita nominal GDP increased from about RMB20,169.5 to about RMB38,353.5, representing a CAGR of about 13.7%. China's per capita nominal GDP has continued to increase in the recent years, in spite of the global financial crisis in 2008. According to the Frost & Sullivan Report, with favorable governmental policies and global economic recovery, per capita nominal GDP of China is forecasted to reach about RMB59,248.8 in 2016, at a CAGR of about 11.5% from 2012 to 2016.

China's per capita nominal GDP, 2007-2016E

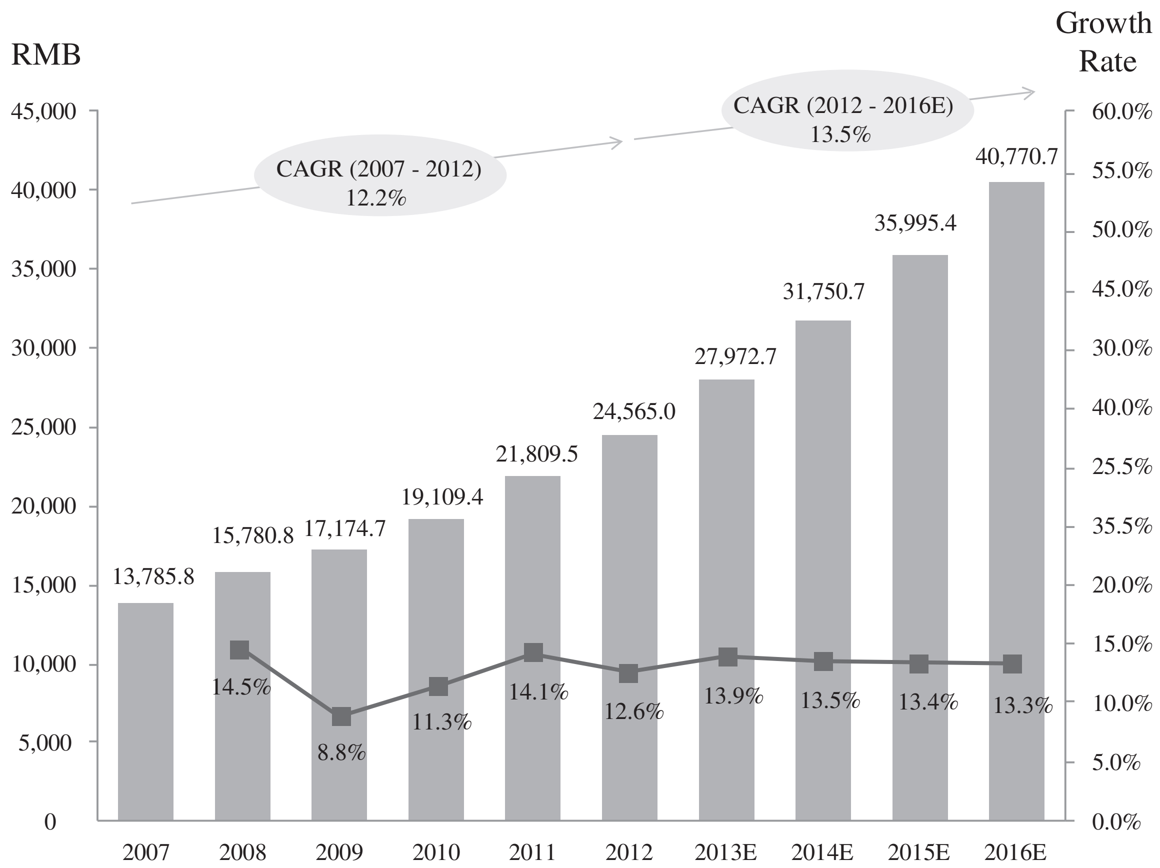


Source: Frost & Sullivan Report

Growth of per capita annual disposable income of urban household and per capita net income of rural resident in the PRC

With the growth of nominal GDP and per capita nominal GDP, the income level for urban residents in China has experienced a tremendous growth. Consistent with China's per capita nominal GDP growth and acceleration of urbanization, the income of urban residents has increased significantly over the past decade. According to the Frost & Sullivan Report, from 2007 to 2012, per capita annual disposable income of urban households has increased from about RMB13,785.8 to about RMB24,565.0, representing a CAGR of about 12.2% in this period. According to the Frost & Sullivan Report, given the expectation on the PRC's continuous economic growth, the per capita annual disposable income of urban households is estimated to increase to about RMB40,770.7 in 2016, with a CAGR of about 13.5% from 2012 to 2016.

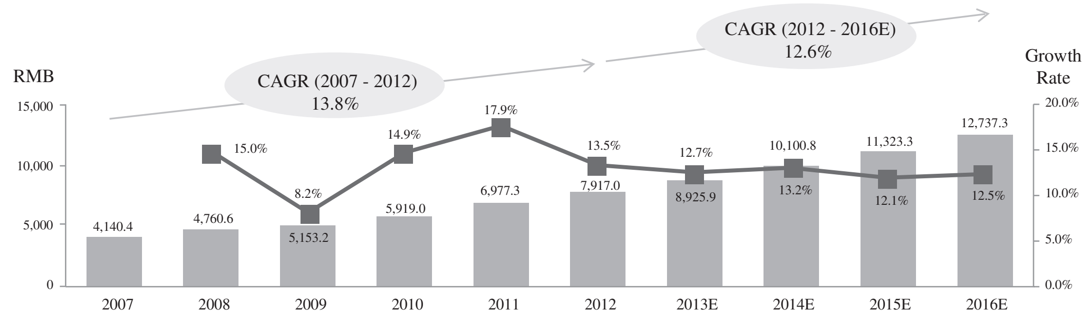
China's per capita annual disposable income of urban households, 2007-2016E



Source: Frost & Sullivan Report

With the growth of nominal GDP and per capita nominal GDP, the net income level for rural residents in China has witnessed stable growth during the past decades. According to the Frost & Sullivan Report, given the expectation on the PRC's continuous economic growth, the per capita net income of rural residents is estimated to increase to about RMB12,737.3 in 2016, with a CAGR of about 12.6% from 2012 to 2016. According to the Frost & Sullivan Report, with the increase in net income, residents in rural areas will be stimulated to spend more on life-style products, which provides a great possibility for the photo printing market in China to grow.

China's per capita net income of rural residents, 2007-2016E



Source: Frost & Sullivan Report

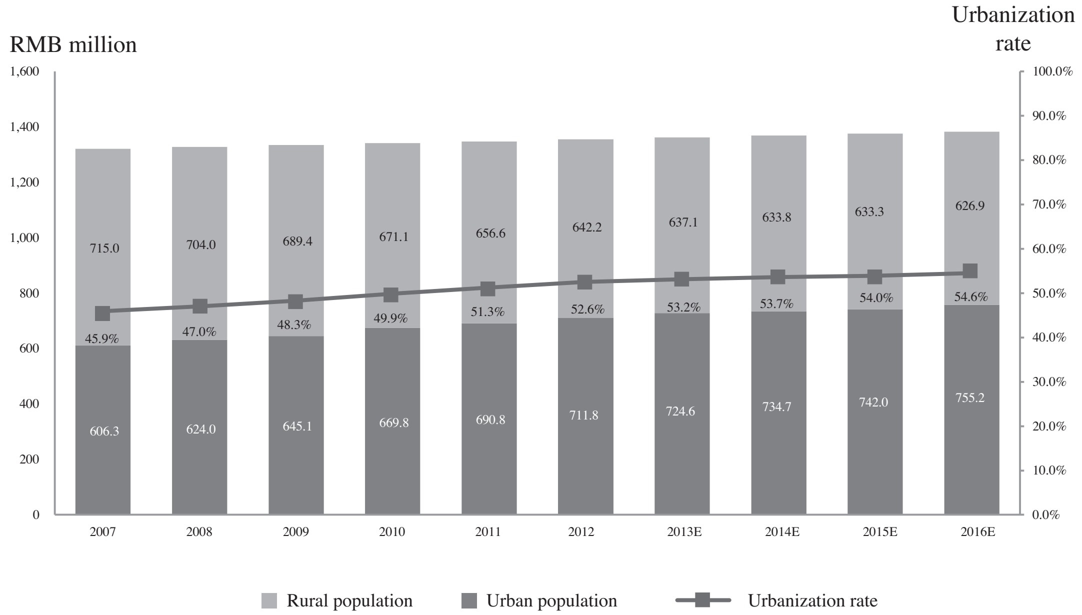
Urbanization development in the PRC

From 2007 to 2012, China has experienced an unprecedented urbanization of population. Due to the rapid economic development and the influx of migrants from rural area to developed urban areas, China's urban population has been increasing steadily.

From 2007 to 2012, China's urban population has increased from about 606.3 million to about 711.8 million, representing a CAGR of about 3.3%. During the same period, the China's urbanization rate has increased from about 45.9% to about 52.6%. According to the Frost & Sullivan Report, with the continuous development of urban facilities, China's urban population is expected to maintain a CAGR of about 1.5% from 2012 to 2016 and reach about 755.2 million in 2016, with an urbanization rate of about 54.6%.

According to the Frost & Sullivan Report, the ongoing urbanization in China has great impact on consumption pattern and habit of Chinese consumers. In particular, residents who have moved into urban areas from rural areas have been influenced by the consumption habits of the urban residents and have been increasingly willing to spend on products that enhance their living standard, such as photographic service, which results in an increasing demand of photo-related products.

China's urbanization development, 2007-2016E

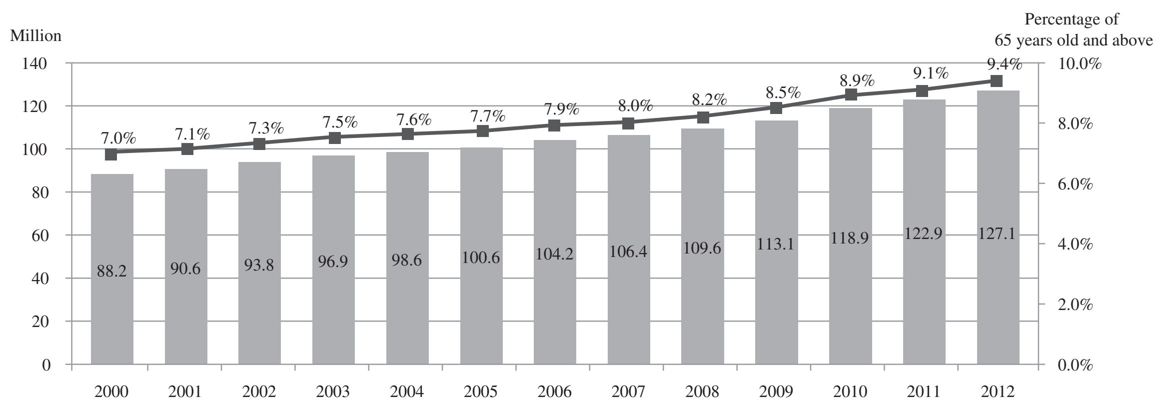


Source: Frost & Sullivan Report

Population dynamics of 65 years old and above in the PRC

With the implementation of one child policy, China has begun turning into an aging society. According to the Frost & Sullivan Report, the China population of 65 years old and above has reached about 127.1 million in 2012, taking about 9.4% of the total population. With the expected continuing increase of aging population in the next few years, the growing aging population could, to a degree, alleviate the decrease in demand in the minilab color photographic paper market as the aged prefer keeping tangible pictures in their albums on the bookshelves to browsing virtual pictures on electronic screen. Further, the elderly, who face deteriorating health, have more medical demands. Therefore, they have higher demand for physical checkup which could drive the medical dry film market.

China's aged population of 65 years old and above, 2000-2012



Source: Frost & Sullivan Report

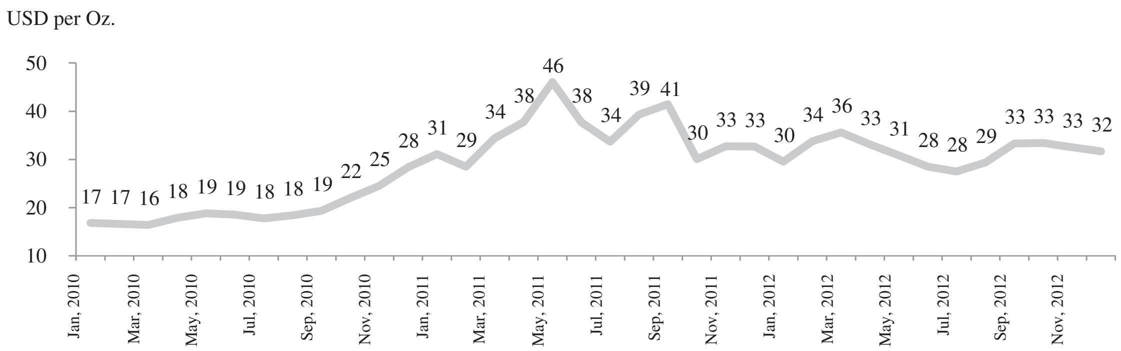
Raw materials for color photographic paper, industrial NDT x-ray film, PWB film, medical dry film, medical wet film and dental film

Use of silver in color photographic paper, industrial NDT x-ray film, PWB film, medical dry film, medical wet film and dental film and the trend of the silver price

According to the Frost & Sullivan Report, silver is an important raw material in the emulsion layer of color photographic paper, industrial NDT x-ray film, PWB film, medical wet film and dental film.

The silver price had been increasing from USD17 per oz in the beginning of 2010 to the highest level of USD46 per oz in the middle of 2011, rising by nearly 200%. Since 2012, the silver price has tended to be steady and fallen to around USD30 per oz. According to the Frost & Sullivan Report, in the short term, it is not expected that the demand for silver as a safe-haven asset to heat up again with a strong dollar and the needs for silver will mainly come from the industrial sector leading to gentler fluctuation in its price.

Trend of the silver price, 2010-2012



Source: Frost & Sullivan Report

Color photographic paper

According to the Frost & Sullivan Report, silver accounts for about 40 to 50% of the raw material cost for color photographic paper. The silver price contributes, to a certain extent, to the color photographic paper price dynamics but the influences will have a time lag. While the price of silver had increased by nearly 200% from the beginning of 2010 to the middle of 2011, the average selling price of color photographic paper had only increased by less than 15% during 2010 to 2011. Since 2012, the silver price has fallen and tended to be steady, while the average selling price of color photographic paper has increased since the end of 2011 due to China's anti-dumping duties on imported color photographic paper related products.

Industrial NDT x-ray film

According to the Frost & Sullivan Report, silver accounts for about 80 to 90% of the raw material cost for industrial NDT x-ray film. The price of industrial NDT x-ray film is largely affected by that of silver, which had significantly increased from 2010 to 2011. This resulted in a steep rise in the price of industrial NDT x-ray film during the same period. In 2012, silver price remained relatively stable, which, in combination with temporary weakening demand from the industrial sector, resulted in a slight decrease in the price of industrial NDT x-ray film.

PWB film

According to the Frost & Sullivan Report, since plotted film, a kind of silver halide film, enjoys dominant position in China's PWB film market, silver price fluctuation strongly affects the price of PWB film. The soaring of the silver price from 2010 to 2011 imposed substantial cost pressure on film manufacturers, leading to the climbing of the PWB film price. In 2012, average selling price of PWB film remained relatively stable due to a flat silver price and the slow growth in market demand.

Medical dry film

According to the Frost & Sullivan Report, the key raw material of medical dry film is polyethylene terephthalate and the silver content in medical dry film is very low and the fluctuation of the silver price has little impact on the dry film price. According to the Frost & Sullivan Report, the average selling price of medical dry film had little fluctuation during the past five years and is expected to remain stable in the forecasted years.

Medical wet film

According to the Frost & Sullivan Report, silver is one of the important materials of medical wet film. The price fluctuation of silver has, to some extent, contributed to the change of the medical wet film price. The silver price had been increasing from 2010 to 2011, which resulted in the price rise of medical wet film during the same period. In 2012, the silver price tended to be steady and the average selling price of medical wet film remained stable.

Dental film

According to the Frost & Sullivan Report, silver accounts for about 70 to 90% of the raw material cost for dental film. The price fluctuation of silver contributes, to some extent, to the dental film price dynamics. While the price of silver had risen significantly from 2010 to 2011, the average selling price of dental film had only increased by more than 10% from 2010 to 2011. In 2012, the silver price remained relatively stable and the average selling price of dental film remained stable.

Image printing products market in the PRC

Color photographic paper market

China's color photographic paper market can be divided into two sub-markets: minilab color photographic paper market and professional color photographic paper market.

Minilab color photographic paper market is defined as the business-to-customer market, in which the ready-to-use color photographic papers are smaller than 12 inches in size. The end buyers are mainly photo processing stores, which process photos for individual customers.

Professional color photographic paper market is defined as the business-to-business market, in which the ready-to-use color photographic papers are normally no less than 12 inches in size. The end buyers are mainly professional photo processing factories, which process images for photography studios.

Recent development of color photographic paper market in the PRC

From 2008 to 2009, the color photographic paper market had experienced a decline in terms of both revenue and volume. In addition, the global stagnation since 2008 has caused a slow-down in the domestic economy, which had adversely affected China's color photographic paper market especially in 2009 and 2010. The surge in the silver price since the second half of year 2010 and anti-dumping duties imposed on imported color photographic paper related products accounts partly for the rise of average selling price of color photographic paper in 2011. In 2012, the color photographic paper market continued its steady growth with a mild increase in volume mainly driven by the demand for professional color photographic paper and an increase in average selling price partly due to the anti-dumping duties imposed on imported color photographic paper related products.

Further, China has set to levy anti-dumping duties on color photographic paper from European Union, US and Japan since 23 March, 2012 for five years. The tax rates range from 16.2% to 28.8% depending on the import location.

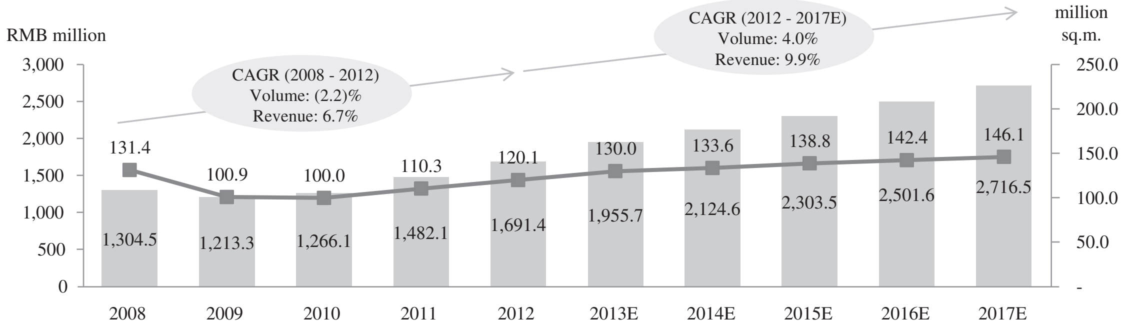
Although the color photographic paper market faces the below threats:

- the demand for pictures print-out would shrink further due to the proliferation of digital image capturing devices; and

- major breakthroughs in color inkjet print technology may bring the picture quality, saturated colors, and image longevity of inkjet photos close to that of traditional silver halide color photographic papers,

according to the Frost & Sullivan Report, the color photographic paper market in the PRC is expected to expand at CAGR of about 4.0% and 9.9% in terms of volume and revenue respectively from 2012 to 2017. In the professional color photographic paper market, the market expansion was and will still be fueled by the increasing demand for, among others, glamour shots and wedding shots.

China's color photographic paper market, 2008-2017E



Note: The revenue is calculated based on distributor price.

Source: Frost & Sullivan Report

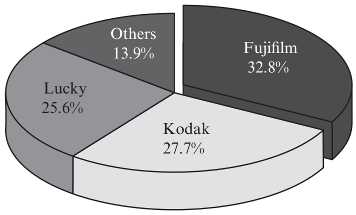
Competitive landscape of color photographic paper market in the PRC

The color photographic paper market in the PRC is a highly concentrated market, which is largely dominated by three giants, namely Fujifilm, Kodak and Lucky. These three giants had taken around 85% of the total market between 2009 and 2012 in terms of both sales volume and revenue in the PRC. According to the Frost & Sullivan Report, unlike Fujifilm color photographic paper, Lucky and Kodak color photographic paper is processed at Lucky's and Kodak's own factories in the PRC. Other players only accounted for around 15% of the market share in total between 2009 and 2012, which was far less than Fujifilm's market share of over 30% in terms of revenue and volume during the same period. According to the Frost & Sullivan Report, considering the sales performance of Fujifilm color photographic paper and other small players, it could be deduced that these small companies did not have processing facilities with capacity comparable to ours. As noted in the Frost & Sullivan Report, it was hard to identify whether these small players outsourced the processing of color photographic paper to other processors and adopted arrangements similar to that between Fujifilm Group and our Group.

In terms of revenue, Kodak had been losing its market share to Fujifilm and Lucky during the period from 2009 to 2012. Fujifilm, as the leader in the color photographic paper market in the PRC in a row from 2009 to 2012, gained market share of about 34.6% and 35.1% in 2011 from about 32.8% and 33.0% in 2009 in terms of volume and revenue, respectively. In 2012, due to the anti-Japanese campaign in the PRC and higher magnitude of increase in average selling price of Fujifilm color photographic paper as compared with that in previous years as affected by the anti-dumping duties imposed on imported color photographic paper related products, the sales volume of Fujifilm color photographic paper was influenced, with market share of about 33.4% by volume while market share by revenue maintained at about 35.0%.

China's color photographic paper market share, 2009

By volume



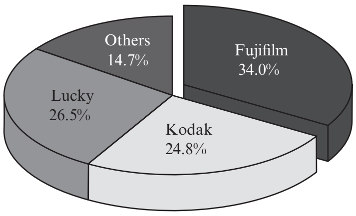
By revenue

Ranking	Company	Market share
1	Fujifilm	33.0%
2	Kodak	31.2%
3	Lucky	24.0%
4	Others	11.8%
	Total	100.0%

Source: Frost & Sullivan Report

China's color photographic paper market share, 2010

By volume



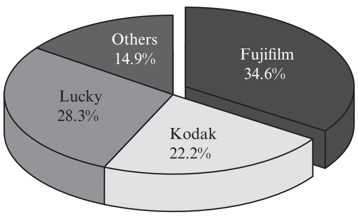
By revenue

Ranking	Company	Market share
1	Fujifilm	34.3%
2	Kodak	28.0%
3	Lucky	25.0%
4	Others	12.7%
	Total	100.0%

Source: Frost & Sullivan Report

China's color photographic paper market share, 2011

By volume



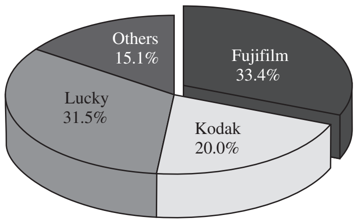
By revenue

Ranking	Company	Market share
1	Fujifilm	35.1%
2	Lucky	26.8%
3	Kodak	24.9%
4	Others	13.2%
	Total	100.0%

Source: Frost & Sullivan Report

China's color photographic paper market share, 2012

By volume



By revenue

Ranking	Company	Market share
1	Fujifilm	35.0%
2	Lucky	29.3%
3	Kodak	22.5%
4	Others	13.2%
	Total	100.0%

Source: Frost & Sullivan Report

Brand	Competitive Analysis
Fujifilm	• average unit price of its color photographic paper is between Kodak's and Lucky's. Fujifilm unit price is higher than the average unit price in the minilab color photographic paper market from 2009 to 2012 while its unit price is comparable with the average unit price in the professional color photographic paper market from 2009 to 2012 • Fujifilm, partnered with our Group in the PRC market, had gained market share rapidly in recently years and taken the first place from 2009 to 2011 in terms of both revenue and volume. In 2012, although the sales volume of Fujifilm color photographic paper had been influenced by the anti-Japanese campaign in the PRC and higher magnitude of increase in average selling price as compared with that in previous years as affected by the anti-dumping duties imposed on imported color photographic paper related products, Fujifilm still maintained the first place in the market in terms of both revenue and volume
Kodak	• average unit price of its color photographic paper is the highest among the three brands • Kodak established its own processing factory in Xiamen, where most of its ready-to-use color photographic paper is cut and processed using imported master rolls from other countries • Kodak's photo developing chain stores had ever sprung up across China. But because of the competition with Fujifilm and Lucky in terms of pricing, it has lost its leading position. In 2011 and 2012, it only ranked at the third place in the market in terms of both revenue and volume • in the second half of 2012, Kodak launched a new type of color photographic paper with competitive pricing, thus increasing its competitiveness in the PRC market
Lucky	• average unit price of its color photographic paper is the most competitive, considerably lower than that of Fujifilm and Kodak • Lucky, the only major domestic brand in China's color photographic paper market, has long been supported by the Chinese government in tax and subsidies, which enabled the company to win market share by lower price. It has its own factory in China. In 2011 and 2012, it had the second largest market in terms of both revenue and volume

Entry barriers for producing, processing and distributing color photographic paper

According to the Frost & Sullivan Report, the high technology required to process color photographic paper forms a natural barrier for new players entering into the industry. The technology of manufacturing light sensitive materials is key for producing master roll of color photographic paper. The formula of the master roll of color photographic paper is considered to be confidential for each technology owner. The earliest self-made color photographic paper was launched in the 1980s in China with hefty investment. In the short run, it is hard for a new market player to master the critical technology to enter the industry.

In terms of processing color photographic paper into ready-to-use form, color photographic paper is very sensitive to, among others, humidity, temperature and dust. It brings high requirements and standards to the processing environment. To lower the defective rate of the color photographic paper, the processor has to build a stable environment and many precautions to eliminate the dust, hair and static have to be taken.

In terms of distributing color photographic paper, the existing players' well-established network of end-users, such as image printing shops and professional photo processing labs, forms a high entry barrier for the new players.

Recent development of minilab color photographic paper market in the PRC

In respect of the domestic minilab color photographic paper market, the consumption has plunged greatly in the last decade. From 2008 to 2012, the market decreased at a CAGR of about 6.9% in terms of volume and slightly increased at a CAGR of about 1.3% in terms of revenue. According to the Frost & Sullivan Report, the extensive use of digital cameras and camera phones is the principal reason in the connection. Nevertheless, the aging population may, to some degree, alleviate the decrease in demand in the minilab color photographic market for the next few years as the aged prefer keeping tangible pictures in their albums on the bookshelves to browsing virtual pictures on the electronic screen. Holding tangible pictures in hand could bring more psychological satisfaction to them. According to the Frost & Sullivan Report, from 2012 to 2017, it is expected that the market shrink will slow down with a CAGR of about 2.4% and 7.3% by revenue and by volume, respectively.

In China's minilab color photographic paper market, Fujifilm ranked the first with market share of about 36.2% and 38.4% in terms of volume and revenue, respectively, in 2012. In terms of volume in 2012, Lucky ranked the second with a market share of about 27.0% while Kodak ranked the third a market share of about 22.2%. In terms of revenue in 2012, Kodak ranked the second with a market share of about 24.9% while Lucky ranked the third with a market share of about 24.3%.

Recent development of professional color photographic paper market in the PRC

Compared with the minilab color photographic paper market, the professional color photographic paper market is more positive. In the professional color photographic paper market, wedding couples, children and women are three major groups for art shots. In propitious years in China, such as Dragon Lunar Years, more people would choose to get married or have babies and go for art shots, which would increase the consumption of professional color photographic paper, and drive the total market of professional color photographic paper in terms of volume. From 2008 to 2012, the market increased at a CAGR of about 4.3% and 14.1% by volume and revenue, respectively. According to the Frost & Sullivan Report, from 2012 to 2017, the professional color photographic paper market is expected to increase at a CAGR of about 12.1% and 18.5% in terms of volume and revenue, respectively.

In China's professional color photographic paper market, Lucky ranked the first with market share of about 36.2% and 34.4% in terms of volume and revenue, respectively, in 2012. Following Lucky, Fujifilm ranked the second with market share of about 30.3% and 31.5% in terms of volume and revenue, respectively in 2012 while Kodak ranked the third with market share of about 17.7% and 20.1% in terms of volume and revenue, respectively in 2012.

Sales channel of color photographic paper market in the PRC

According to the Frost & Sullivan Report, among the three giants, Lucky adopted the sales strategy of focusing on end users channel in both minilab color photographic paper market and professional color photographic paper market. Our Group (as the largest authorized distributor of Fujifilm color photographic paper during the Track Record Period) and Kodak adopted both end users channel and distributors/wholesalers channel for sales of Fujifilm and Kodak minilab color photographic paper, but adopted different sales channel management for sales of professional color photographic paper. We enhanced sales of professional Fujifilm color photographic through the end users channel in recent years, as further described in the section headed "Business — Sales and marketing — Management of sales channels — Color photographic paper" in this Prospectus, while Kodak relied more on distributor/wholesalers sales channel.

Seasonality effect of color photographic paper market in the PRC

According to the Frost & Sullivan Report, instead of seasonal fluctuations, the sales of color photographic paper in some degree is subject to factors such as culture, and holidays.

Industrial NDT x-ray film market in the PRC

Industrial NDT x-ray film, the most commonly used industrial radiographic film, plays an essential role in radiographic testing, which is a NDT method of inspecting materials for hidden flaws. NDT, an analysis technique without causing damage, is a highly valuable technique that can save both money and time in product evaluation, troubleshooting and research. As radiographic testing is capable of indicating the size and shape of deep defects and long-term preservation, it is most widely used among all NDT methods.

Industrial NDT x-ray film is widely applied in weld verification in pressure vessels, boilers, hulls and oil and gas pipelines and detection of internal defects in structures or castings used in petro, aviation and automation industries. End users of industrial NDT x-ray film are a wide variety of manufacturing enterprises serving in oil pipeline construction, aviation, nuclear power, ship building, pressure vessel manufacturing, weapon production and railway construction. General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ) introduced national standards and technical specifications to explicitly request the application of radiographic testing in the examination of Class III pressure vessel, which undergo the strictest regulation, petroleum pipelines and industrial pipelines.

Radiographic testing is the most widely used among all NDT methods due to its visual result and long-term preservation

Features	**Industrial radiographic testing**	**Ultrasonic testing**	**Magnetic particle testing**
Share in NDT market	49%	30%	4%
Accuracy	Visual result on the geometrical shape of defects with high definition	No visual result on the size and shape of defects	Due to better performance on surface than interior crack, it is commonly used to identify surface crack
Inspection depth	Able to inspect internal defect	Able to inspect internal defect	Only detect surface or slightly subsurface discontinuities
Cost	High investment on x-ray detection apparatus and film	Low cost for ultrasonic flaw detector	Low cost for simple devices
Operating performance	Requires well-trained staff and generates harmful radiation	Requires experienced staff to read results	Easy to operate. However, need to demagnetize in some cases
Filing	Permanent record with preservation term of 5 to 7 years	Unable to provide permanent record	Record through sketch or photograph

Source: Frost & Sullivan Report

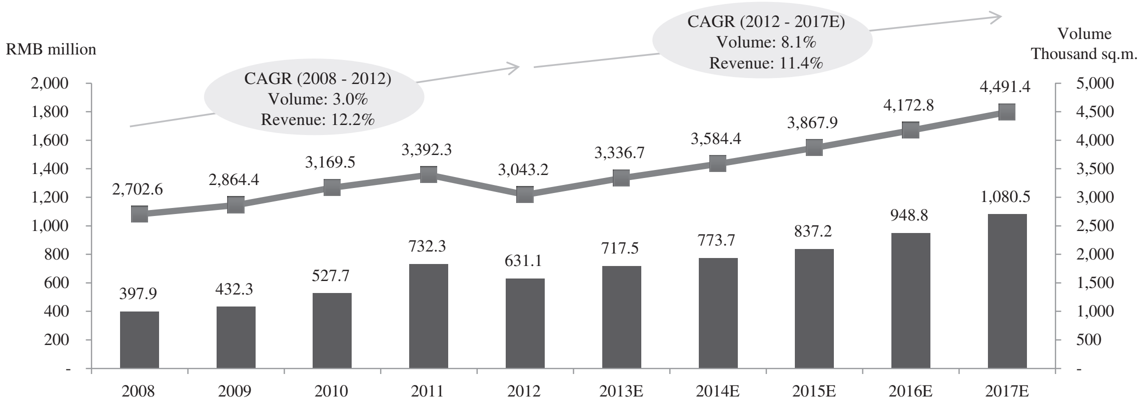
Recent development of industrial NDT x-ray film market in the PRC

China's gross industrial outputs have experienced strong growth rates. From 2008 to 2012, the gross industrial output has increased at a CAGR of about 11.3% from about RMB13,026 billion to about RMB19,986 billion. In 2012, China's gross industrial output growth hit a three-year low of about 6.0%, signaling a slowdown in most domestic manufacturing sectors. According to the Frost & Sullivan Report, with the nominal GDP rising at a CAGR of about 12.1% in the next 5 years, gross industrial output will remain at a strong growth rate during the same period, attributed by the government's further effort on industry restructuring and upgrading. Rapid expansion in domestic industry drives rising demand for industrial NDT x-ray film because of its wide application in various sectors and irreplaceable position in the examination of certain special equipment.

Rapid growth in the PRC domestic industrial NDT x-ray film market from 2008 to 2011 is driven by the synergy effect of sharply rising average selling price and modest growth in film consumption amount. Significant increase in raw material price casted a significant effect on the growth of industrial NDT x-ray film's average selling price. After years of rapid growth, industrial NDT x-ray film market experienced a temporary recession in 2012 and there were multiple reasons behind this decline. Firstly, the slowdown of China's gross industrial output growth in 2012, Europe's debt crisis and weak U.S. recovery casted shadows over China's export industry such as boat building or pressure vessel manufacturing. Plunging demand rising from dim prospects for China's industry creates a difficult time for NDT x-ray film suppliers. Secondly, several tremendous oil and gas pipeline building programs were completed in 2011 and 2012 and new construction plans are still being made by the newly elected government body. Thus, stalled oil and gas pipeline expansion in 2012 also led to shrinking demand for NDT film. Although industrial NDT also involves new digital detectors and imaging plates which have the potential to substitute the industrial NDT x-ray film and revolutionize the radiological technique, the utilization of digital x-ray inspection system in industrial NDT is in its beginning stage featuring lower spatial resolution and higher initial investment.

According to the Frost & Sullivan Report, the recession of industrial NDT x-ray film market in 2012 is not expected to last long. In the next five years, driven by the prospective expansion in China's industrial production, progress in the construction of oil and gas pipelines and government's increasing emphasis on work safety, the consumption of industrial NDT x-ray film is projected to rise at a CAGR of about 8.1%, amounting to about 4,491.4 thousand sq.m. in 2017.

China's industrial NDT x-ray film market, 2008-2017E

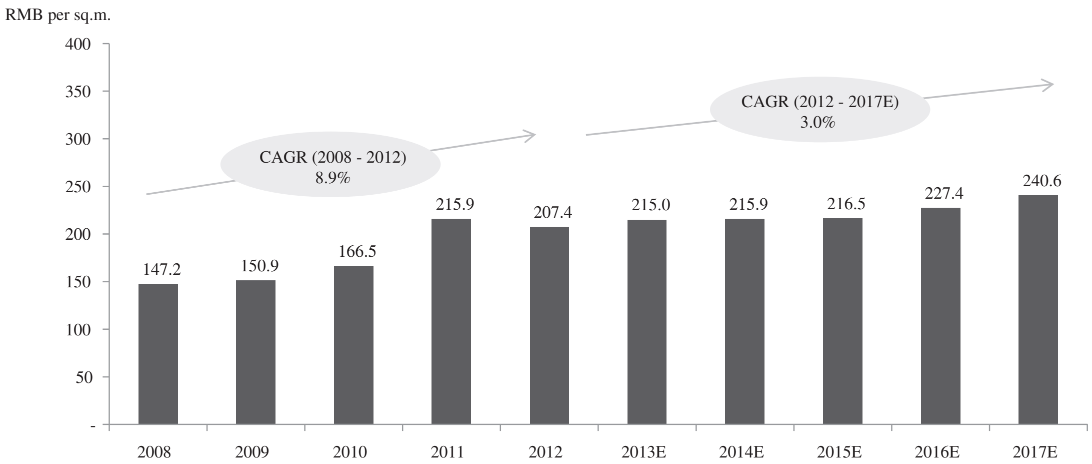


Source: Frost & Sullivan Report

From 2008 to 2011, the average selling price of industrial NDT x-ray film had grown from about RMB147.2 per square meter to about RMB215.9 per square meter, representing a CAGR of about 13.6%, as the silver price had skyrocketed during the financial crisis, which had sent investors scrambling for precious metal as a way to protect their assets under the loose monetary policy. In 2012, weakening demand from the industrial sector, together with flat silver price, gave rise to the slight decline in average selling price of industrial NDT x-ray film by about 3.9%.

According to the Frost & Sullivan Report, in the next five years, the growth in industrial NDT x-ray film average selling price will remain stable with a CAGR of about 3.0% during the forecast period, as silver price will only experience mild growth driven by gently increasing demand for silver coming from the industry sectors instead of the safe-haven investment. With less volatile raw material price, future average selling price of industrial NDT x-ray film will turn from cost driven to demand driven, leading to a lower CAGR in the future.

Dynamics of industrial NDT x-ray film average selling price in China, 2008-2017E



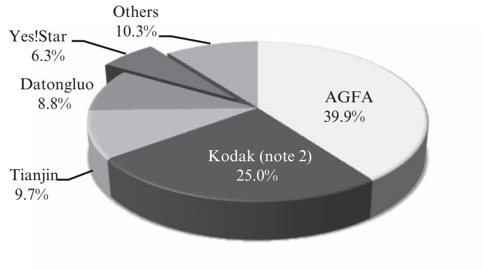
Source: Frost & Sullivan Report

Competitive landscape of industrial NDT x-ray film market in the PRC

The industrial NDT x-ray film market in the PRC is a highly concentrated market, which is largely dominated by two multinational companies, namely Agfa and Carestream, and two local brands, namely Tianjin and Datongluo. Agfa and Carestream together took over about 67.0% and 72.3% of the total market in terms of sales volume and revenue, respectively while Tianjin and Datongluo together took over about 13.1% and 10.8% of the total market in terms of volume and revenue, respectively in 2012. Although our Group started the sales of Yes!Star industrial NDT x-ray film since 2011, we successfully ranked fifth in 2011 and fourth in 2012 respectively in terms of both sales volume and revenue in the market. According to the Frost & Sullivan Report, Yes!Star ranked fifth in 2011 and fourth in 2012 in terms of both revenue and volume in the industrial NDT x-ray film market, with market share much smaller than other top players'. Considering the above, it could be deduced that there were other companies with processing capacities comparable to or higher than ours.

China's industrial NDT x-ray film market share, 2011

By volume



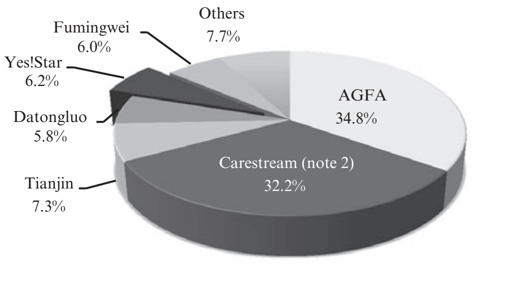
By revenue

Ranking	Company	Market share
1	AGFA	44.4%
2	Kodak *(note 2)*	26.3%
3	Tianjin	8.6%
4	Datongluo	8.2%
5	Yes!Star	4.7%
6	Others	7.8%
	Total	100.0%

Source: Frost & Sullivan Report

China's of industrial NDT x-ray film market share, 2012

By volume



By revenue

Ranking	Company	Market share
1	AGFA	41.1%
2	Carestream *(note 2)*	31.2%
3	Tianjin	6.0%
4	Yes!Star	5.4%
5	Fumingwei	5.1%
6	Datongluo	4.8%
7	Others	6.4%
	Total	100.0%

Notes:

1. Market share of Fujifilm industrial NDT x-ray film (which we have also distributed since 2012) was less than 1% in 2011 and 2012. Since its sales was small, it could only be deduced that its ranking in the market falling beyond top 5 in 2011 and top 6 in 2012.

2. In mid 2012, the brand of "Kodak" was changed to "Carestream" and the two brand names refer to the same company.

Source: Frost & Sullivan Report

Brand	Competitive Analysis
Agfa	• enjoy strong reputation for outstanding product quality deriving from high image quality and consistent result over a wide range of operating conditions • remarkably high pricing among all brands • keep leading position in industrial NDT x-ray film market for years due to its high quality and advanced technology. Lose market share to products with higher cost effectiveness resulted from steeply rising price in recent years
Carestream (formerly known as Kodak)	• enjoy relatively high quality and strong reputation among domestic users with lower price than Agfa • gradually taking market share due to its top class quality and lower price against Agfa
Tianjin	• used to dominate x-ray film market until international conglomerates entering China • lower definition and less consistent performance due to poor emulsion making and coating technology compared with international peers • lower image quality and single product line lead to loss in market share • struggle for market presence through offering selling price lower than that of international brands, and comparable with that of domestic brands
Datongluo	• master rolls acquired from a company with headquarters in Japan which offer distinct advantages such as high speed and consistent performance. Silver content is reduced leading to lower price which is close to that of other domestic brands • almost no growth in revenue in 2011 and record sharp decline in revenue in 2012 due to its higher price and lower quality as compared with that of its competitors
Yes!Star	• master rolls acquired from a company with headquarters in Japan which offer distinct advantages such as high speed and consistent performance. Silver content is reduced leading to lower price which is close to that of other domestic brands • the average selling price of Yes!Star industrial NDT x-ray film was lower than other domestic brands in 2011 and comparable with them in 2012 • already gain 6.3% and 4.7% of market share in terms of volume and revenue, respectively in 2011, the year when we launched this product, and maintained market share of about 6.2% and 5.4% in terms of volume and revenue in 2012

According to the Frost & Sullivan Report, there are other companies adopting similar arrangement between us and our supplier of industrial NDT x-ray film master rolls, such as Datongluo. According to the Frost & Sullivan Report, the master rolls of industrial NDT x-ray film for other small market players are mainly imported.

Entry barriers for producing, processing and distributing industrial NDT x-ray film

According to the Frost & Sullivan Report, there are high entry barriers in production techniques, capital investment and creating brand loyalty for industrial NDT x-ray film market due to the following factors:

- industrial NDT x-ray film is produced with highly advanced technology to deliver perfect performance

- remarkable initial investment in R&D and assets acquisition are required

- processing has to be performed in unlit and highly dust free environment under constant temperature and humidity. Processing mandates high level of air cleanness degree and precise operation of processing equipment

- end users' reluctance to switch to another brand makes new entrants difficult to take over market share from existing players

Sales channel of industrial NDT x-ray film market in the PRC

According to the Frost & Sullivan Report, sales of industrial NDT x-ray film market in the PRC are usually made through two ways:

- Direct channel: Suppliers directly sell industrial NDT x-ray film to the end users. Since industrial NDT x-ray film is widely applied in variety of industry sectors and its end users consist of various types of companies extensively distributed around China, each with its own specific needs on industrial NDT x-ray film products, only handful of industrial NDT x-ray film suppliers, which required huge investment and rich product portfolio, leverage on direct sales and synergy effect of wide spectrum of products to reduce the cost.

- Indirect channel: Sales through indirect channel is the major distribution mode adopted by suppliers in China's industrial NDT x-ray film market. Suppliers sell industrial NDT x-ray film through powerful regional dealers as their 1st tier distributors and these distributors may further rely on 2nd tier or 3rd tier distributors to sell the industrial NDT x-ray film products. As these distributors need to cater varied demands from different types of end users, they seldom become sole distributors for a single supplier. Suppliers are the one who have to be responsible for after-sale services and technical guidance.

Seasonality effect of industrial NDT x-ray film market in the PRC

According to the Frost & Sullivan Report, the demand of industrial NDT x-ray film is usually lower in winter as it would be too cold for inspection company to use the industrial NDT x-ray film for checking the structural integrity of various industrial products and structures.

PWB film market in the PRC

Printed wiring board or PWB is used to mechanically support and electrically connect electronic components using conductive pathways, tracks or signal traces etched from copper sheets laminated onto a non-conductive substrate. PWB is widely used in virtually all but the simplest commercially produced electronic devices. The vast majority of PWB is made by bonding a layer of copper over the entire substrate, sometimes on both sides, then removing unwanted copper after applying a photomask, the layout design on which is transferred from the original PWB film, leaving only the desired copper traces.

PWB film, also named PCB film, is specially designed for PWB industry as the pattern template for PWB circuit layout, which is then transferred to photomask (光覆膜) and eventually transferred to PWB through photolithography (光刻法).

The degree of fineness and sharpness of PWB is highly related to the image quality of PWB film and the trend of making PWB smaller, lighter, and thinner results in demanding requirements on line sharpness and precise line width control of the image on PWB film. Due to the highly demanding requirement on the resolution and image quality on the pattern template, there is no application of digital imaging technology to replace PWB film recently.

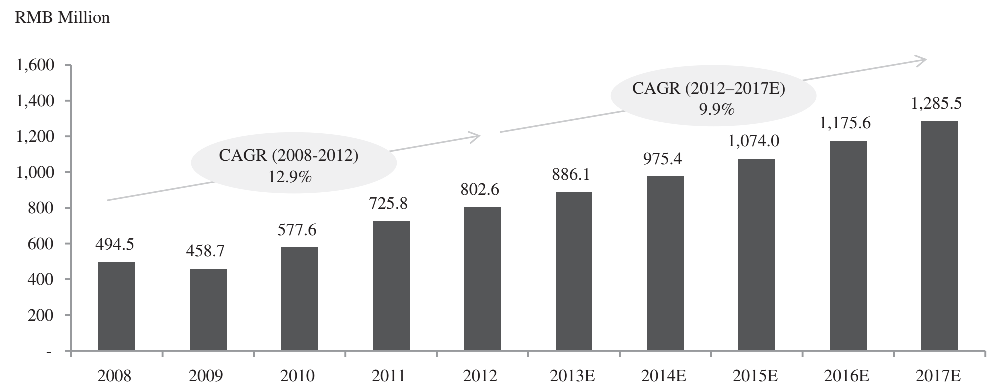
End users of PWB film include both professional PWB manufacturers and electronic appliance or equipment manufacturers, which are in huge numbers and create considerable demand for PWB film driven by the significantly rapid generation of new electronic products.

Recent development of PWB film market in the PRC

According to the Frost & Sullivan Report, PWB film sold in China reached RMB802.6 million in 2012. After a dip due to the economic crisis, the market sentiment in the electronics industry turned positive again in mid 2009, leading to a noticeable revival in PWB film production since 2010. In 2012, production value of PWB industry in China has reached about USD24.2 billion, equivalent to about 41.0% of global PWB production value, and is estimated to reach about USD35.5 billion, or about 46.0% of global PWB industry in 2017, according to the Frost & Sullivan Report.

According to the Frost & Sullivan Report, PWB film market is expected to witness another round of rapid expansion at an estimated CAGR of about 9.9% during 2012 to 2017 driven by rapid expansion in domestic industry, increasing demand for PWB film from various industries, and accelerating innovation in the relevant technique. The trend for superior performance in lighter, smaller, and slimmer electronic devices also creates increasing demand for highly complicated PWB with microvias, fine lines and spaces.

China's PWB film market, 2008-2017E



Source: Frost & Sullivan Report

Competitive landscape of PWB film market in the PRC

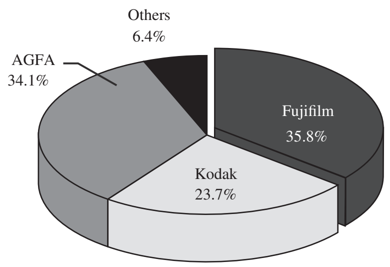
PWB film market in China is dominated by three international giants, namely Fujifilm, Kodak and AGFA, which in aggregate accounted for over 90% of the market share in terms of revenue in 2012. Among the three giants, Fujifilm enjoyed the largest market share by revenue and volume from 2010 to 2012 with about 34.6% and 35.8% in 2010, 36.0% and 36.0% in 2011 and 37.3% and 36.1% in 2012, respectively. All of these three companies mainly rely on local distributors to sell PWB film to end users, who mainly concentrated in Yangtze river delta and Pearl river delta region.

According to the Frost & Sullivan Report, considering that the PWB film processed by us only accounted for a very small share of Fujifilm's total production, it could be deduced that there were other companies with processing capacities comparable to or higher than ours.

China's PWB film market is dominated by three international giants, Fujifilm, Kodak, and AGFA. Kodak and Agfa have their manufacturing facilities in the PRC. Considering above, there are no other companies adopting similar arrangement between the Company and Fujifilm Group in the PRC.

China's PWB film market share, 2010

By volume



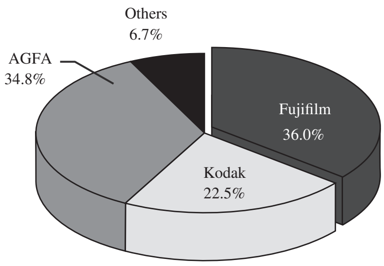
By revenue

Ranking	Company	Market share
1	Fujifilm	34.6%
2	AGFA	33.4%
3	Kodak	26.6%
4	Others	5.4%
	Total	100.0%

Source: Frost & Sullivan Report

China's PWB film market share, 2011

By volume



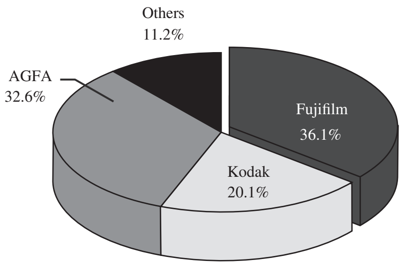
By revenue

Ranking	Company	Market share
1	Fujifilm	36.0%
2	AGFA	33.8%
3	Kodak	24.6%
4	Others	5.6%
	Total	100.0%

Source: Frost & Sullivan Report

China's PWB film market share, 2012

By volume



By revenue

Ranking	Company	Market share
1	Fujifilm	37.3%
2	AGFA	31.5%
3	Kodak	21.8%
4	Others	9.4%
	Total	100.0%

Source: Frost & Sullivan Report

Entry barriers for producing, processing and distributing PWB film

According to the Frost & Sullivan Report, there are high entry barriers in production techniques, processing environment and distribution network for PWB film market due to the following factors:

- advanced production technique for PWB film is a must due to the highly demanding requirements on the quality of PWB film; and

- Precise processing operation performed in unlit and highly dust free environment under constant temperature and humidity, which is necessary for the processing and packaging process of PWB film, requires advanced processing equipments and technology.

- PWB manufacturing industry in China is highly fragmented with about 1,500 manufacturers and extended distribution network for PWB film is needed to cover end users.

Photofinishing equipment market in the PRC

Photofinishing equipment referred to the apparatus that used to process silver halide photographic paper. Based on different processing capacities and photo size, it could be divided into minilab photofinishing equipment and professional photofinishing equipment. Minilab photofinishing equipment refers to the equipment processing photo no larger than 12 inches in size while professional photofinishing equipment refers to the equipment processing photo larger than 12 inches in size.

Recent development of photofinishing equipment market in the PRC

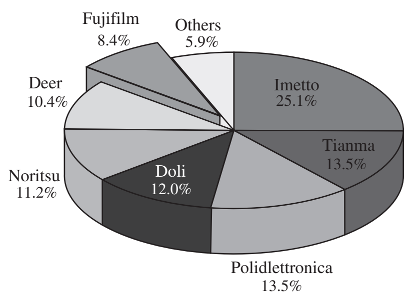
In the past few years, photofinishing equipment market in the PRC has suffered great decrease in terms of both revenue and volume. From 2008 to 2012, the market decreased at CAGR of about 28.1% and 24.0% by revenue and volume respectively. The average selling price of photofinishing equipment during the period has been going down for the fierce competition among players. Many producers have quitted from the market. And some others are seeking alliance or merger to survive in the harsh market environment. In the foreseeing future, the decline of the market is forecasted to slow down because of steady market needs from professional market. From 2012 to 2017, the market is forecasted to decrease at about 9.0% and 4.5% by revenue and volume respectively.

Competitive landscape of photofinishing equipment market in the PRC

In 2012, the top three photofinishing equipment brands, in terms of revenue, were Imetto, Polidlettronica and Deer, the survivors in professional equipment. The following four brands, Noritsu, Tianma, Fujifilm, Doli, were minilab equipment manufacturers. Fujifilm, ranked as sixth and seventh in terms of revenue and volume respectively in 2012, had market share of about 7.0% and 8.4% in terms of revenue and volume respectively in 2012.

China's photofinishing equipment market share, 2012

By volume



By revenue

Ranking	Company	Market share
1	Imetto	30.9%
2	Polidlettronica	27.5%
3	Deer	9.7%
4	Noritsu	9.0%
5	Tianma	7.4%
6	Fujifilm	7.0%
7	Doli	5.6%
8	Others	2.9%
	Total	100%

Source: Frost & Sullivan Report

Photofinishing chemical market in the PRC

Photofinishing chemical refer to chemical used in processing silver halide photographic paper. It consists of three different kinds of products, namely color developer, bleach-fixer, and stabilizer, which are used in different stage of photofinishing process. The photofinishing chemicals used to process minilab photographic paper and professional photographic paper are the same.

Recent development of photofinishing chemical market in the PRC

The market size of photofinishing chemicals is highly correlated with the consumption volume of color photographic paper. From 2008 to 2012, the photofinishing chemical market decreased at CAGR about 7.6% in terms of revenue. In next few years, due to the increasing consumption in professional color photographic paper market, the market is forecasted to increase at CAGR of about 2.3% from 2012 to 2017.

Competitive landscape of photofinishing chemical market in the PRC

Unlike color photographic paper market, photofinishing chemical market is less concentrated. Main players in photofinishing chemical market in the PRC include Lucky, HCL, Champion and Fujifilm. There are also a number of small companies producing photographic paper processing chemicals. Lucky, market leader in 2012, has market share of about 43%. Comparing with other leading brands, Lucky has taken the low price strategy to win the market. Meanwhile, Lucky provides better technical support for photofinishing studios and workshops. Fujifilm, the fourth largest player in 2012, had market share of about 5% in terms of revenue in 2012.

China's photofinishing chemical market share, 2012

By revenue

Ranking	**Company**	**Market share**
1	Lucky	43%
2	HCL	17%
3	Champion	13%
4	Fujifilm	5%
5	Others	22%
	Total	100%

Source: Frost & Sullivan Report

Document printing related products market in the PRC

Document printing related products market in the PRC is defined to include printers and consumables, excluding printing paper. Based on application, the market can be segmented into two parts: the office document printing market and the non-office document printing market. Office document printing market is defined to include the printers and consumables that are purchased to satisfy the printing needs of companies and offices. Non-office document printing market is defined to include the printers and consumables that are purchased for commercial use by individual printing stores and printing chain stores, etc..

Recent development of document printing related products in the PRC

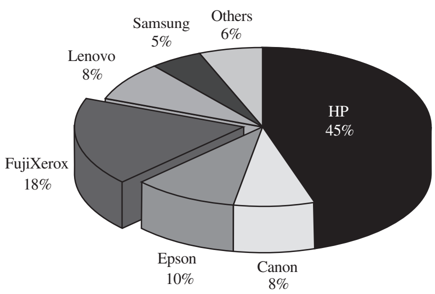
Document printing products market in the PRC has been growing at a CAGR of about 13.8% and 6.9% in terms of revenue and volume respectively from 2008 to 2012. Increasing demand for high-standard printers and the boom of small/mid-size companies will stimulate the market growth. It is expected to the market will increase at CAGR of about 14.0% and 7.5% by revenue and volume respectively from 2012 to 2017.

Competitive landscape of document printing related products in the PRC

Document printing market in the PRC is a relatively concentrated market. HP, Epson, Samsung, Canon, and Fuji Xerox are leading brands which have gained wide-scale awareness. HP, the largest player in terms of both revenue and volume, has gained the leading edge by providing a rich portfolio of products to cater to various needs of users and supported by wide-spread distribution channels. Fuji Xerox, ranked as fourth and second in terms of revenue and volume respectively in 2012, had market share of about 12% and 18% in terms of revenue and volume respectively in 2012.

China's document printing related products market share, 2012

By unit



By revenue

Ranking	Company	Market share
1	HP	37%
2	Canon	17%
3	Epson	15%
4	FujiXerox	12%
5	Lenovo	8%
6	Samsung	4%
7	Others	7%
	Total	100%

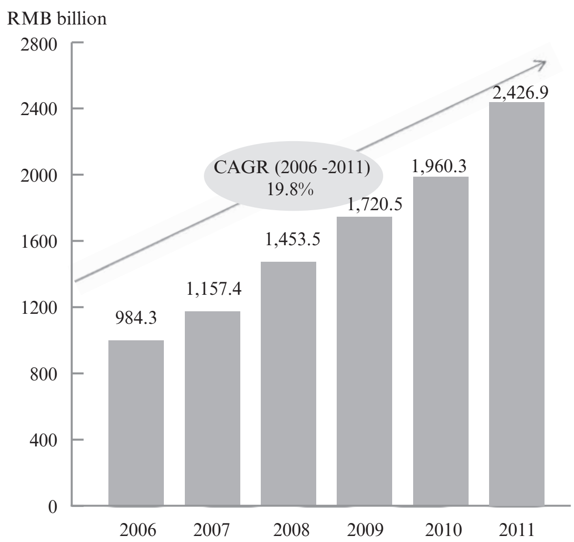
Source: Frost & Sullivan Report

Medical image products market in the PRC

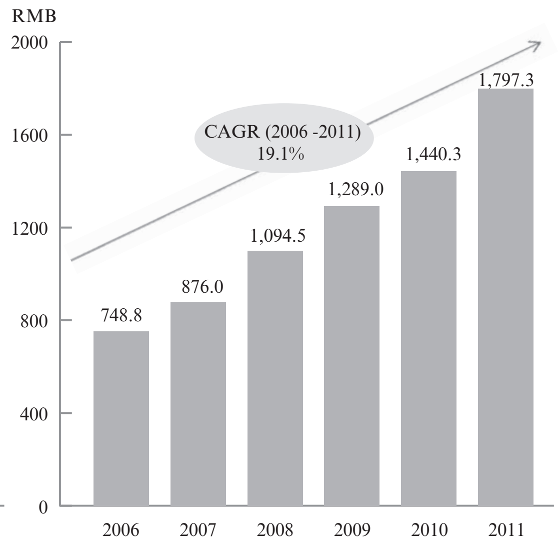
Recent development of healthcare expenditure in the PRC

During the past several years, the total healthcare expenditure in China continues to increase at a fast growth rate, which is driven by the increasing medical demand, a combined result of increase in health awareness and aging population, as well as the changing life-style due to the economic medical facility improvement and expansive medical insurance coverage. The short-term goal of the healthcare reform implemented in 2009 aimed at improving the basic health services significantly.

China's total healthcare expenditure 2006-2011



China's per capita healthcare expenditure 2006-2011



Source: Frost & Sullivan Report(Note)

Note: According to the Frost & Sullivan Report, the data covering the year of 2012 has not been published as at the Latest Practicable Date.

The 12th five year plan (2011-2015) for the health sector will extend the major policy blueprint as reflected from the healthcare reform implemented in 2009. The government attaches great importance on the development of Chinese medical device industry, especially on the construction and upgrade of primary healthcare institution. The investment in the medical device purchase during the 12th five year plan is expected to exceed the number during the 11th five year plan. In November 2011, the ministry of science and technology released "The Twelfth Five Year Plan of Medical Device Industry" which further improved the industry policy for technology innovation and industrial development:

- make breakthroughs at the development of key technology and core components

- encourage local companies to produce products with high quality at competitive price to substitute imported products

Five key areas to encourage local quality products with superior cost performance

Prevention	Diagnosis	Treatment	Rehabilitation	Emergency
• Severe diseases screening products • Patient monitor • Mobile physical examination system • Health indicators testing	• DR products • MRI/CT/Color ultrasound/DSA • Immunochemistry/ Hematology/ Bio-chemistry • POCT	• Radiotherapy • Hemodialysis • Radio frequency ablation • Laser surgery • Stent • Replacement • Oral implant • Surgical Robot	• Artificial limb • Hearing aid • Walking aid • Visual Aids • Rehabilitation training product	• Mobile ICU • Defibrillator • Ventilator • Hemostasis device • Transfusion device

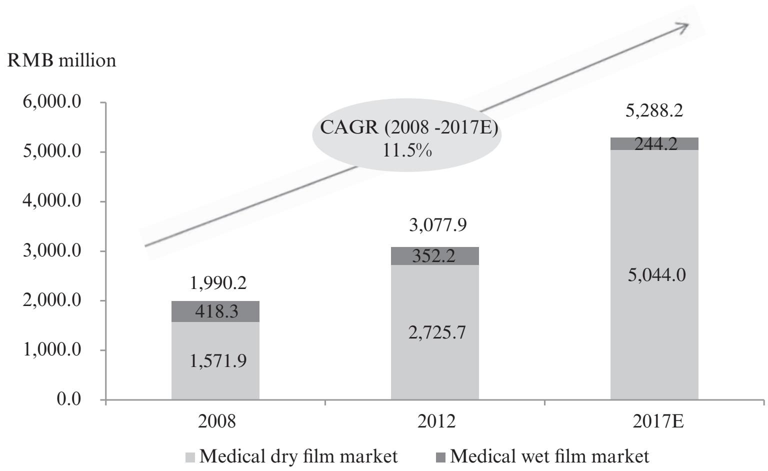
Medical film market in the PRC

Medical film is a thin sheet of material used to record images, such as organs, structures and tissues, which are involved in imaging diagnosis from x-ray, computed tomography (“CT”), magnetic resonance imaging (“MRI”) and other image modalities. Medical film is usually divided into two categories: wet film and dry film. Medical wet film is the traditional form of film that needs to be developed through wet processing in darkroom. Medical dry film is printed by imagers and does not require wet processing chemistry or darkroom environment. According to the Frost & Sullivan Report, currently, most hospitals choose dry film due to its convenience and environmental friendly feature.

Recent development of medical film market in the PRC

Medical dry film is gradually replacing the medical wet film for its convenience and environment-friendly features. According to the Frost & Sullivan Report, the percentage of medical wet film in medical film market has decreased from about 21.0% in 2008 to about 11.4% in 2012 and is expected to decrease to about 4.6% in 2017.

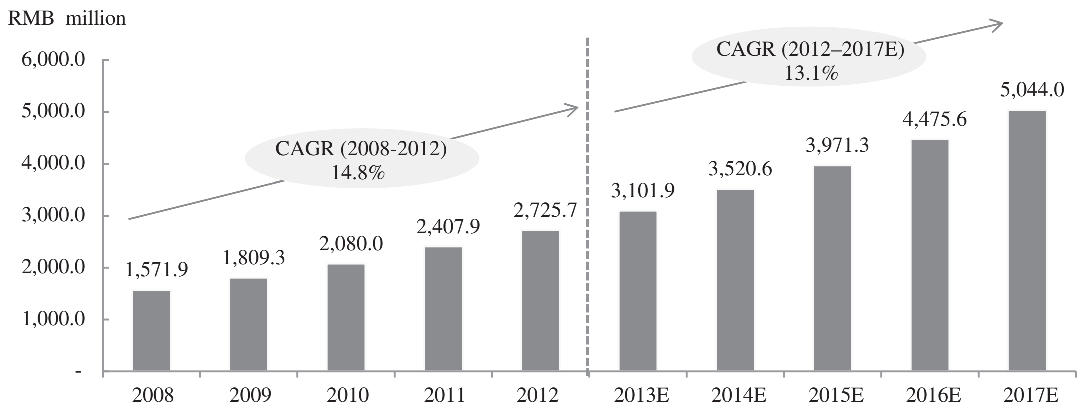
China’s medical film market, 2008-2017E



Source: Frost & Sullivan Report

The China's medical dry film market by revenue has experienced a stable growth during the past 5 years. China's medical dry film market size was about RMB2,725.7 million in 2012, growing at a CAGR of about 14.8% from 2008 to 2012.

China's medical dry film market, 2008 to 2017E



Source: Frost & Sullivan Report

Having considered the below factors:

- rise of aging population which leads to strong demand for hospital visit;
- government investment on healthcare system construction stimulating the purchase of medical device;
- physicians rely increasingly on diagnosis equipment to decrease misdiagnosis and reduce probability of physician-patient contradictions;
- wider reimbursement coverage of imaging diagnosis is expected to boost patients' accessibility and affordability of imaging diagnosis service; and
- digital radiography x-ray which provides the clinicians with the ability to store their images digitally rather than a hard copy,

according to the Frost & Sullivan Report, a similar trend on the China's dry film market is expected in next 5 years, increasing at a CAGR of about 13.1% in terms of revenue and 13.2% in terms of volume respectively from 2012 to 2017 or to reach about RMB5,044.0 million and 663.7 million sheet respectively in 2017.

Competitive landscape of medical dry film market in the PRC

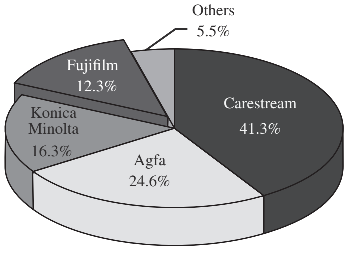
Medical dry film market in the PRC is a highly concentrated market, which is largely dominated by four giants, namely Carestream, Agfa, Konica Minolta and Fujifilm. In terms of volume and revenue, these four giants took a combined market share of about 94.5% and 95.6% in 2011 and about 93.2% and 93.9% in 2012, respectively. In terms of both volume and revenue, Fujifilm earned the fourth place in China's medical dry film market in 2011 and 2012 with the market share of about 12.3% and 12.7% in 2011 and about 13.1% and 12.8% in 2012. Carestream leads in the medical dry film market in terms of both volume and revenue due to its strong sales force and distribution, deep penetration into primary healthcare market, leading position in x-ray device market and vast install base of Carestream medical dry laser imager. The market share of leading players in terms of volume in 2012 are similar to those in terms of revenue due to little price difference amongst the top four brands.

We commenced processing medical dry film in 2010 and, as recognized by Fujifilm Group, since 2011, nearly all medical dry films sold by Fujifilm Group in the PRC were processed into ready-to-use form by us. According to the Frost & Sullivan Report, Fujifilm medical dry film sold in the PRC before we began mass-production was imported from overseas and, compared to importing medical dry film from overseas, our processing operation can help decreasing the cost of Fujifilm medical dry film in the PRC. Currently, we are recognized by Fujifilm Group as the largest authorized processor of Fujifilm medical dry film into ready-to-use form in China. According to Frost & Sullivan Report, the top four players, namely, Carestream, Agfa, Konica Minolta and Fujifilm, together accounted for more than 90% of the market share, while Fujifilm accounted for about 13.1% of the market share by volume in 2012. According to the Frost & Sullivan Report, Carestream has its own processing facilities in China while Agfa and Konica Minolta imported its medical dry film from overseas. Other players only accounted for less than 10% of the market share in total, much less than Fujifilm's market share. In this regard, according to the Frost & Sullivan Report, it could be deduced that other PRC companies did not have processing capacities comparable to ours.

According to the Frost & Sullivan Report, it was hard to identify whether the other small players outsourced the processing of medical film to other processors and adopted arrangements similar to that between our Group and Fujifilm Group. According to the Frost & Sullivan Report, the master rolls of medical dry film for other small market players are mainly imported.

China's medical dry film market share, 2011

By volume



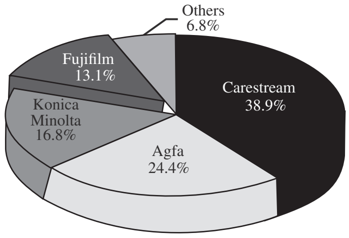
By revenue

Ranking	Company	Market share
1	Carestream	42.4%
2	Agfa	24.1%
3	Konica Minolta	16.4%
4	Fujifilm	12.7%
5	Others	4.4%
	Total	100.0%

Source: Frost & Sullivan Report

China's medical dry film market share, 2012

By volume



By revenue

Ranking	Company	Market share
1	Carestream	40.1%
2	Agfa	24.0%
3	Konica Minolta	17.0%
4	Fujifilm	12.8%
5	Others	6.1%
	Total	100.0%

Source: Frost & Sullivan Report

Notes:

1. The sales volume refers to standardized number of mainstream size of "35*43 cm" instead of sum-up all the numbers from all categories of products with different sizes.

2. As recognized by Fujifilm Group, nearly all the medical dry films sold by Fujifilm Group in China are processed into ready-in-use form by us.

3. In 2010, market share of Fujifilm medical dry film in China was about 12.6% by revenue and 11.4% by volume. In 2010, most of the Fujifilm medical dry film was not processed by us and was imported from overseas.

Competitive landscape of medical wet film market in the PRC

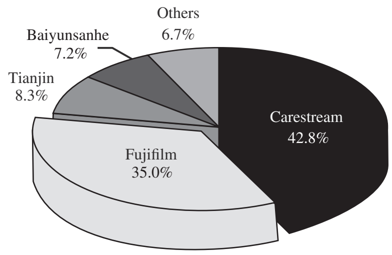
Medical wet film market in the PRC is a highly concentrated market, which is largely dominated by two giants, namely Carestream and Fujifilm. These two giants took about 77.8% and 81.6% of the total market in terms of sales volume and revenue in 2012 respectively. Carestream had strong presence in China's medical imaging market. It was the largest player in the medical dry film and wet film markets and the leading player in the x-ray device market in terms of revenue in the PRC in 2012. Fujifilm has a long history in the wet film business. It was the second largest wet film player in China's market, with market share of about 35.0% and 34.8% in terms of volume and revenue in 2012, respectively. We started wet film mass-processing for Fujifilm in 2012. According to the Frost & Sullivan Report, before our cooperation, all the Fujifilm wet films sold in China were imported. Since our mass-processing in 2012, all Fujifilm medical wet film were either processed by us or imported.

According to the Frost & Sullivan Report, our production of medical wet film only accounted for a very small share in Fujifilm's total production in 2012. According to the Frost & Sullivan Report, considering this, it could be deduced that there were other companies in the PRC with processing capacities comparable to or higher than ours.

According to the Frost & Sullivan Report, the top four players in the PRC (namely, Carestream, Fujifilm, Tianjin and Baiyunsanhe) accounted for more than 90% of the market share in the PRC in terms of volume and revenue in 2012. According to the Frost & Sullivan Report, Carestream had its own processing facilities in China, where as the top two domestic players (namely, Tianjin and Baiyunsanhe), sold wet film under their own brands, unlike the arrangement between our Group and Fujifilm Group. According to the Frost & Sullivan Report, it was hard to identify whether the other small players outsourced the processing of medical wet film to other processors and adopted arrangements similar to that between our Group and Fujifilm Group. According to the Frost & Sullivan Report, the master rolls of medical wet film for other small market players were mainly imported.

China's medical wet film market share, 2012

By volume



By revenue

Ranking	Company	Market share
1	Carestream	46.8%
2	Fujifilm	34.8%
3	Tianjin	7.0%
4	Baiyunsanhe	6.0%
5	Others	5.4%
	Total	100%

Source: Frost & Sullivan Report

Entry barriers for producing, processing and distributing medical dry film and medical wet film

According to the Frost & Sullivan Report, the semi-finished product of medical film, including medical dry film and medical wet film, is a kind of sensitive material which is easy to produce chemical reactions when exposed to inappropriate environment. Precise operation performed in unlit and highly dust free environment under constant temperature and humidity, which is necessary for the cutting and packaging process of the medical film, including medical dry film and medical wet film, requires advanced manufacturing equipment and technology. Thus there is a high entry barrier in production technique of medical dry film and medical wet film.

Precise operation performed in unlit and highly dust free environment under constant temperature and humidity, which is necessary for the processing and packaging process of medical dry film and medical wet film, requires advanced processing equipment and technology.

In terms of distributing medical dry film and medical wet film, the well-established network coverage of end users of hospitals forms a high entry barrier for new players in medical dry film and medical wet film market.

Sales channel of medical film market in the PRC

According to the Frost & Sullivan Report, most manufacturers of medical film in China choose few general distributors to cover the nationwide market. The general distributors develop 2nd level distributors to cover provincial level market, some of which sell the products to hospital directly. For the cities or hospitals that they cannot cover, they will choose the 3rd level distributors.

According to the Frost & Sullivan Report, a nationwide distribution network is crucial to a medical dry film company. With government's increasing investment in primary healthcare institution and wider coverage of new rural cooperative medical scheme, a deep extended distribution network penetrating into county hospitals and village clinics is essential for players to capture market share. In addition, a vast install base of brand medical dry laser imager is vital to the sales of medical dry films. Since medical dry laser imager can only print the medical dry films of its own brand, the installment of medical dry laser imagers would stimulate the sales of medical dry film and build up a barrier for other brands. Strong sales of CR/DR x-ray device can usually drive the sales of medical dry films resulted from the synergy effects from the existing distribution channel since the customers of CR/DR x-ray device and medical dry film are the same group and the practice of hospitals when purchasing CR/DR x-ray device as they usually require manufacturers to provide medical dry laser imagers for free.

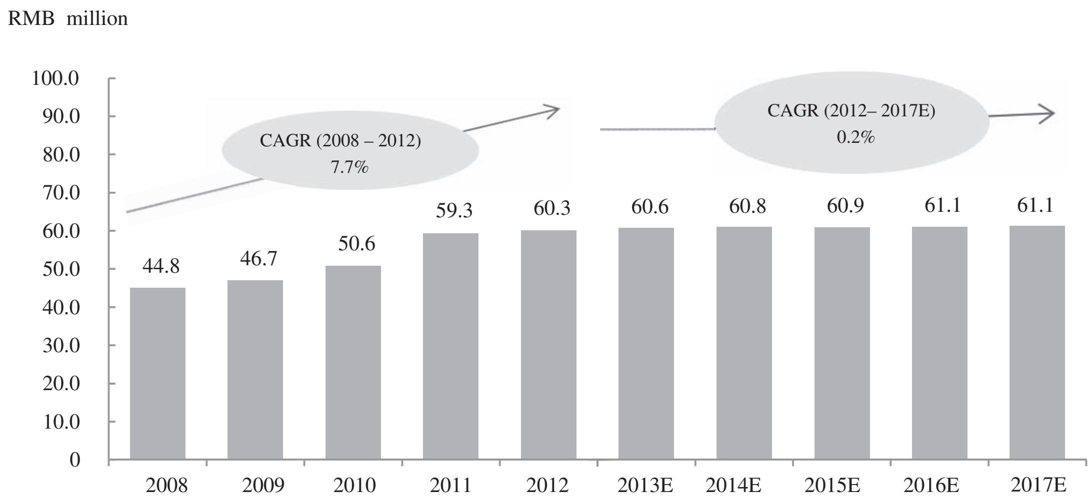
Dental film in the PRC

Dental films are used for dental x-ray examination showing pictures of the teeth, bones and surrounding soft tissues to help identify problems with the teeth, mouth and jaw and is widely used in stomatological departments. It can show cavities, masses and hidden dental structures that cannot be seen during a visual examination for diagnosis and treatment follow-up.

Recent development of dental film market in the PRC

According to the Frost & Sullivan Report, China's dental film market was at about RMB60.3 million in 2012. Carestream led the dental film market with market share of about 65.3% and 65.8% in 2011 and 2012 respectively in respect of revenue; while our Group, which commenced sales of dental film in 2011, gained a market share of less than 1% and about 1.8% in terms of revenue and volume, respectively in 2011, and further increased to about 2.5% and 4.2%, respectively, in 2012. In 2012, Yes!Star was ranked as the fifth largest player in terms of revenue and volume in the market. China's dental film market is expected to reach about RMB61.1 million by the end of the forecast period in 2017 with a CAGR of about 0.2%. Growth rates for dental film revenue are expected to remain mild for the forecast period, with a CAGR of about 3.5% from 2008 to 2017 mainly due to the slight decrease in sales volume as a result of the proliferation of digital image display applications.

China's dental film market, 2008-2017E



Source: Frost & Sullivan Report

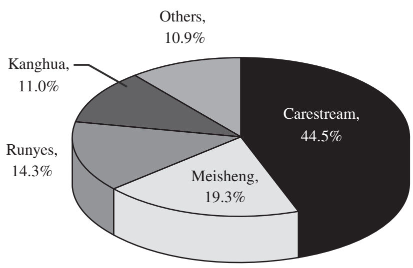
Competitive landscape of dental film market in the PRC

According to the Frost & Sullivan Report, the top five players in the dental film market in the PRC (namely, Carestream, Meisheng, Runyes, Kanghua and Yes!Star) accounted for more than 95% of the market share in the PRC in terms of volume in 2012. According to the Frost & Sullivan Report, Carestream had its own processing facilities in China, while the leading PRC companies such as Meisheng and Runyes enjoyed larger market share than us and had processing capacities comparable to or higher than ours. Considering the above, it could be deduced that there were other companies with processing capacities comparable to or higher than ours.

For dental film product, we purchase master roll for further cutting and processing, with the brand of Yes!Star. From this point of view, there are other companies, such as Meisheng, adopting similar arrangement between the Company and its supplier, which purchases master roll from overseas.

China's dental film market share, 2010

By volume



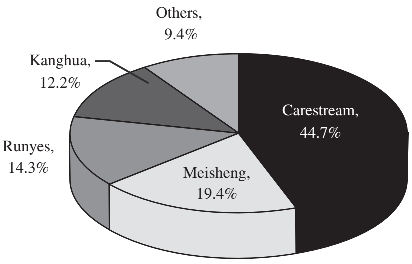
By revenue

Ranking	**Company**	**Market share**
1	Carestream	65.0%
2	Meisheng	16.1%
3	Runyes	7.5%
4	Kanghua	6.1%
5	Others	5.3%
	Total	100.0%

Source: Frost & Sullivan Report

China's dental film market share, 2011

By volume



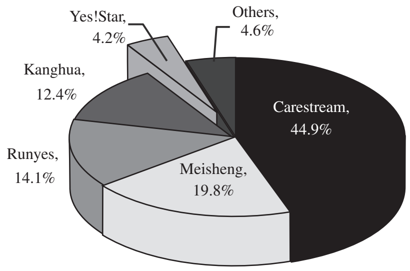
By revenue

Ranking	Company	Market share
1	Carestream	65.3%
2	Meisheng	16.2%
3	Runyes	7.6%
4	Kanghua	6.6%
5	Others	4.3%
	Total	100.0%

Source: Frost & Sullivan Report

China's dental film market share, 2012

By volume



By revenue

Ranking	Company	Market share
1	Carestream	65.8%
2	Meisheng	16.7%
3	Runyes	7.5%
4	Kanghua	6.5%
5	Yes!Star	2.5%
6	Others	1.0%
	Total	100.0%

Source: Frost & Sullivan Report

Entry barriers for producing, processing and distributing dental film

According to the Frost & Sullivan Report, the semi-finished product of medical film, including dental film, is a kind of sensitive material which is easy to produce chemical reactions when exposed to inappropriate environment. Precise operation performed in unlit and highly dust free environment under constant temperature and humidity, which is necessary for the cutting and packaging process of the medical film, including dental film, requires advanced manufacturing equipment and technology. Thus there is a high entry barrier in production technique of dental film.

Precise operation performed in unlit and highly dust free environment under constant temperature and humidity, which is necessary for the processing and packaging process of dental film, requires advanced processing equipment and technology.

In terms of distributing dental film, the well-established network coverage of end users of hospitals forms a high entry barrier for the new players in dental film market.

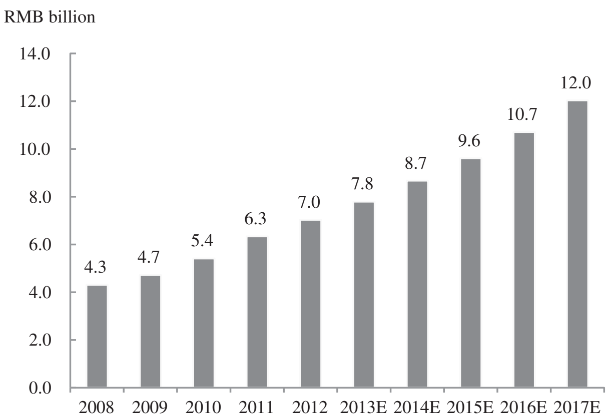
X-ray device market

Radiography is the use of x-rays to view a non-uniformly composed material such as the human body. By using the physical properties of the ray, an image can be developed which displays areas of different density and composition. X-ray market in China can be divided in to analog x-ray device market, CR device market and DR x-ray device market by imaging technology and principle. Analog x-ray device is the traditional form of x-ray imaging device. CR utilizes cassette-based imaging plates as opposed to films used in traditional radiography to obtain digital images. The imaging plates run through specialized laser scanner or CR reader that read or digitize the image. DR uses a digital image capture device where digital x-ray sensors are used instead of traditional photographic film. DR provides the clinicians with the ability to store their images on a computer.

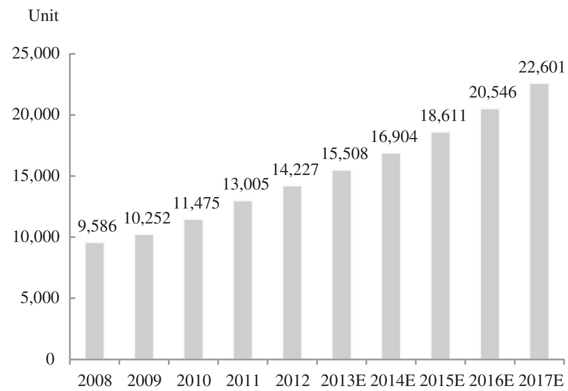
Recent development of x-ray device market in China

X-ray device market in China reaches about RMB7.0 billion in 2012 from about RMB4.3 billion in 2008, with a CAGR of about 13.0% in terms of revenue and reaches about 14,227 units in 2012 from about 9,586 units in 2008 with a CAGR of about 10.4% in terms of volume. According to the Frost & Sullivan Report, it is estimated that in 2017, x-ray device market in China will be increased to about RMB12.0 billion, with a CAGR of about 11.3% in respect of revenue and will be about 22,601 units with a CAGR of about 9.7% from 2012 to 2017 in respect of volume.

China's x-ray device market, 2008-2017E



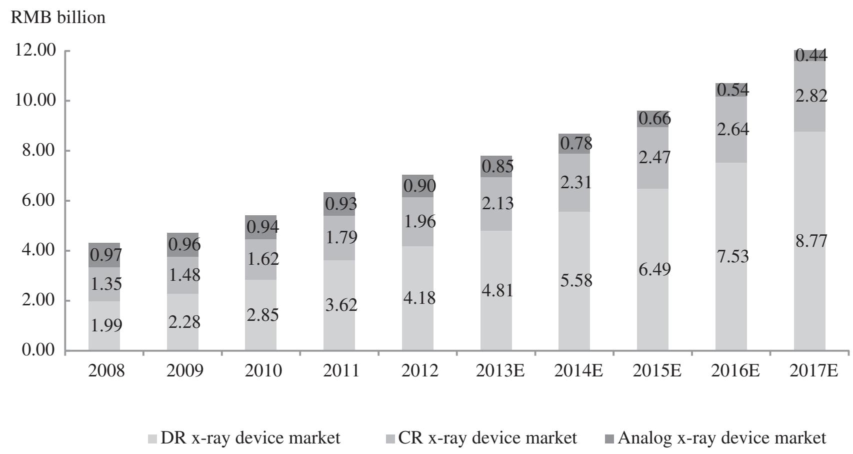
China's x-ray device market, 2008-2017E



Source: Frost & Sullivan Report

According to the Frost & Sullivan Report, among these three segments, DR x-ray device market is the segment with fastest growth rate at a CAGR of about 20.4% in terms of revenue during the past four years while that of CR x-ray device market has increased at a CAGR of about 9.7% and analog market has decreased at a CAGR of about 2.0%. Accordingly to the Frost & Sullivan Report, growth of DR, CR and analog x-ray device market is forecasted at about CAGR16.0%, 7.6% and (13.4)%. With the rapid uptake of mid and low end DR x-ray device, the average selling price of DR x-ray device has been declining in recent years. The average selling price of DR x-ray device to hospital decreased from around RMB1.6 million per unit in 2007 to around RMB1.1 million in 2012. The lower price is expected to improve hospitals' affordability of DR device, thereby boosting the DR market.

China's x-ray device market, 2008-2017E



Source: Frost & Sullivan Report

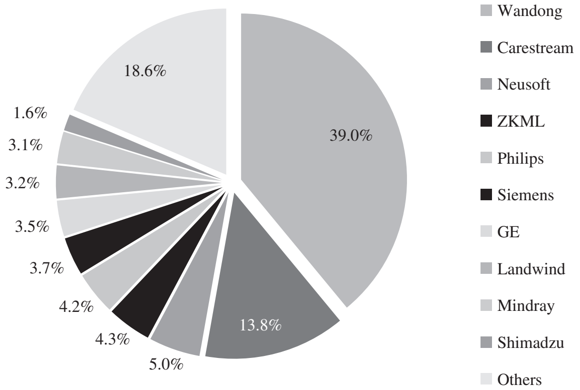
Competitive landscape of x-ray device market in the PRC

The x-ray device market is highly fragmented by revenue.

- In 2012: Carestream was the leading player in Chinese X-ray device market by revenue, with a market share of about 21.0% by revenue.
- International giants in healthcare field such as Carestream, Philips, Siemens, and GE dominate the market with a total market share of about 60% by revenue.
- In terms of volume, the total market share of local brands was higher than that of international brands due to competitive price of local brands.
- In terms of volume, Wandong was the leader with a market share of about 39.0%, followed by Carestream with market share of about 13.8%.
- International brands accounted for less than 40% of the market share by volume, which was much lower than their market share in terms of revenue because of their high prices.

China's x-ray device market share, 2012

By volume



By revenue

Ranking	Company	Market share
1	Carestream	21.00%
2	Wandong	15.10%
3	Philips	13.50%
4	Siemens	12.20%
5	GE	10.50%
6	Shimadzu	4.00%
7	Mindray	3.60%
8	Landwind	3.50%
9	Neusoft	3.10%
10	Toshiba	2.30%
	Others	11.20%
	Total	100.00%

Source: Frost & Sullivan Report

Sales channel of x-ray device market in the PRC

According to the Frost & Sullivan Report, most x-ray device manufacturers in China combine the direct sales and indirect sale mode together. For some VIP hospitals or government centralized purchase, the manufacturers prefer to choose their dedicated sales staff to win the bid. For other condition, they usually leverage the sales force of distributors.

REPORT COMMISSIONED FROM FROST & SULLIVAN

We commissioned Frost & Sullivan, an independent global consulting company based in the United States with over 50 years of industry experience, to conduct an analysis of, and to report on, the macroeconomic environment, the image printing products markets (namely, photo-related products, document-printing related products and industrial imaging products) and the medical imaging products markets (including the healthcare market, dry film market, dental film market and x-ray device market) in the PRC. The report has been prepared by Frost & Sullivan independently at a commission of RMB1,630,000 and we consider that such fee reflects market rates.

The Frost & Sullivan Report includes information such as market share and ranking of suppliers, revenue and other economic data, which have been quoted in this Prospectus. Frost & Sullivan's independent research was undertaken through both primary and secondary research obtained from various sources within the relevant industries in the PRC. Primary research involves discussions with leading participants and industry experts. Secondary research involves reviewing company reports, association reports, independent research reports and Frost & Sullivan's own research database. Projected data was obtained from historical data analysis plotted against macroeconomic data as well as specific industry-related drivers.

The Frost & Sullivan Report was compiled based on the following assumptions:

- the economy of the PRC is assumed to witness steady growth in the next decade; and

- the social, economic and political environment in the PRC is assumed to remain stable in the forecast period, allowing for the stable development of the China image printing products and medical imaging products markets.

- the forecast excludes any extreme scenarios in which the market may be affected dramatically or fundamentally, such as huge breakthrough in image printing field, sharp price fluctuation of raw materials, restrictive trading policies from government against imported color photographic papers, etc.

1. **Foreign Investment**

The Company Law and Foreign Investment Law

The establishment, operation and management of corporate entities in the PRC is governed by *The Company Law of the PRC* (《中華人民共和國公司法》) (the "**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 "**SCNPC**") on 29 December 1993 and came into effect on 1 July 1994. The Company Law was subsequently amended on 25 December 1999, 28 August 2004 and 27 October 2005. Under the Company Law, companies in the PRC can be established either as limited liability companies or joint stock limited liability companies. All of the Group's PRC operating subsidiaries are limited liability companies. The shareholders of a limited liability company must contribute the registered capital amount of the company in cash or a combination of cash and assets, and a PRC certified public accounting firm must verify the proper receipt by the company of such capital contributions before issuing a capital verification report for submission to the business registration authorities. The Company Law applies to both PRC domestic companies and foreign-invested companies. Where, however, the Company Law is silent on matters related to foreign invested companies, such matters may be addressed by other PRC laws and regulations.

The establishment procedures, approval procedures, registered capital requirements, foreign exchange matters, accounting practices, taxation and labor matters of foreign invested companies is regulated by, in the case of wholly foreign-owned enterprises, *The Wholly Foreign-owned Enterprise Law of the PRC* (《中華人民共和國外資企業法》, and *The Regulations for the Implementation of the Wholly Foreign-owned Enterprises Law of the PRC* (《中華人民共和國外資企業法實施細則》), while in the case of foreign invested joint ventures, *The Law of the People's Republic of China on Chinese-Foreign Joint Ventures* 《中華人民共和國中外合資經營企業法》, and *Regulations for the Implementation of the Law of the People's Republic of China on Joint Ventures Using Chinese and Foreign Investment* (《中華人民共和國中外合資經營企業法實施條例》).

Regulations of the People's Republic of China on the Administration of Company Registration

Pursuant to the *Regulations of the People's Republic of China on the Administration of Company Registration* (《中華人民共和國公司登記管理條例》) promulgated by Order No. 156 of the State Council of the People's Republic of China on 24 June 1994 and subsequently amended on 18 December 2005 (the "**Registration Regulations**"), a company shall file an application for alteration registration if it proposes to alter the business scope. When the registered items of a company alter, if the company fails to transact the alteration registration according to the provisions of the Registration Regulations, the company registration authority shall order it to get registered within a prescribed period, failing which a fine of between RMB10,000 and RMB100,000 shall be imposed.

Measures for Investigating, Punishing and Banning Unlicensed Business Operations

Pursuant to the *Measures for Investigating, Punishing and Banning Unlicensed Business Operations* (《無照經營查處取締辦法》) which became effective from 1 March 2003 (Order of the State Council [2002] No.370) (the "**Unlicensed Business Measures**") and *the Executive Opinions on Some Issues Concerning the Application of Law Governing the Examination, Approval and*

Registration of Foreign-funded Companies (《關於外商投資的公司審批登記管理法律適用若干問題的執行意見》), which became effective from April 24, 2006, no entity or individual shall violate provisions of laws and regulations to conduct unlicensed business operations. The following illegal acts shall be investigated and dealt with by the administrative departments of industry and commerce in accordance with the provisions of the Unlicensed Business Measures: (1) any unlicensed business operation conducted by any person who should acquire but fails to acquire the permit or other approval documents and business licenses in accordance with the relevant law, and engages in business operation activities without authorization; (2) any unlicensed business operation conducted by any person who can acquire the business license without obtaining permits or other approval documents but fails to acquire the business license in accordance with the relevant law, and engages in business operation activities without authorization; (3) any unlicensed business operation conducted by any person who has acquired the permit or other approval document in accordance with the relevant law but fails to acquire the business license in accordance with the relevant law, and engages in business operation activities without authorization; (4) any unlicensed business operation conducted by any person who fails to register upon expiry of the business licences in accordance with relevant requirement, or has already applied for deregistration, or its license has already been revoked, and continues to engage in business operation activities without authorization; and (5) any illegal business operation conducted by any person who operates beyond the approved and registered scope of business and engages without authorization in any business operation activity that shall be engaged in only with required permit or other approval documents. For unlicensed business operation, the administrative department of industry and commerce shall ban them and confiscate the illegal gains therefrom according to law; if the criminal law is violated, the parties concerned shall be investigated for criminal liability according to the provisions of the criminal law on the crime of illegal business operation, the crime of negligently causing a serious accident, the crime of major labor safety accident, the crime of causing an accident in the control of dangerous articles or any other crime; if such activities are not serious enough for criminal punishment, a fine of not more than RMB20,000 shall be imposed; regarding any unlicensed business operation which is in large scale or cause serious social damage, a fine of not less than RMB20,000 but not more than RMB200,000 shall be imposed; for any unlicensed business operation act that harms human health, has serious hidden hazard to safety, threatens public safety or destroys environmental resources, the tools, equipment, raw materials, products (goods) and other properties that are particularly used for the unlicensed business operation shall be confiscated, and a fine of not less than RMB50,000 but not more than RMB500,000 shall be imposed. If any law or regulation stipulates otherwise in respect of the punishments for the unlicensed business operation, such law or regulation shall prevail.

The Provisions on Guiding Foreign Investment and the Catalog for the Guidance of Foreign Investment

The Provisions on Guiding Foreign Investment (《指導外商投資方向規定》) (the "**Foreign Investment Provisions**") and *The Catalog for the Guidance of Foreign Investment* (《外商投資產業指導目錄》) (the "**Foreign Investment Catalog**") constitute the basis for applicable policies regarding the examination and approval of foreign investment projects and foreign invested enterprises in the PRC.

In 1995, the State Planning Commission (原國家計劃委員會), the State Economic and Trade Commission (原國家經濟貿易委員會) and the Ministry of Foreign Trade and Economic Cooperation (原對外經濟貿易部) jointly promulgated *The Interim Provisions on Guiding Foreign Investment* (《指導外商投資方向暫行規定》) and the Foreign Investment Catalog, classifying all foreign investment projects into one of four categories: (i) encouraged projects, (ii) permitted projects, (iii) restricted projects and (iv) prohibited projects. On 11 February 2002, the State Council promulgated the Foreign Investment Provisions, re-stating the four classifications of foreign investment projects. The Foreign Investment Provisions entered into force on 1 April 2002 and the Provisional Foreign Investment Provisions were simultaneously repealed. The Foreign Investment Catalog has been revised several times since it was first promulgated, with the most significant revisions taking place in 2002, 2004, 2007 and 2011. The Foreign Investment Catalog (revised in 2011) currently in effect was jointly promulgated by the National Development and Reform Commission (中華人民共和國國家發展和改革委員會) (the "**NDRC**") and the Ministry of Commerce (中華人民共和國商務部) (the "**MOFCOM**") on 24 December 2011 and came into effect on 30 January 2012. Pursuant to these laws and regulations, the Company's investments in the PRC belong to permitted projects.

The purpose of the Foreign Investment Provisions and the Foreign Investment Catalog is to direct foreign investment into certain priority industry sectors while restricting or prohibiting investment in other sectors. If the industry in which the investment is to occur falls into the encouraged category, foreign investment can be conducted through the establishment of a wholly foreign owned enterprise and in certain cases preferential tax treatment might be available. If restricted, foreign investment may be conducted through the establishment of a wholly foreign owned enterprise if certain requirements are met or in some cases must be conducted through the establishment of a joint venture enterprise, with varying minimum shareholdings for the Chinese party depending on the particular industry. If prohibited, foreign investment of any kind is not allowed. Any industry not falling into any of the encouraged, restricted or prohibited categories is classified as a permitted industry for foreign investment. In general, the Foreign Investment Catalog (revised in 2011) improves foreign investors' access to advanced manufacturing activities, strategic development industries, service industries and investment projects in Western China; while placing greater restrictions on access to investments in motor vehicle production, polycrystalline silicones industry, the coal chemical industry and production activities for which foreign investment is no longer considered necessary to assure future development.

Decision of the State Council on the Reform of the Investment System

On 16 July 2004, the State Council promulgated *The Decision on the Reform of the Investment Sector* (《關於投資體制改革的决定》) (the "**Investment Reform Decision**"), reforming the system of government supervision over enterprise investment. The Investment Reform Decision allows enterprises greater independence in making investment decisions in line with the principle that "the investor makes the investment decisions, reaps the profit and bears the risks". According to the Investment Reform Decision, government approval is no longer required for projects that are not funded by the government. Instead, a system of "Authorization" and "Record-filing" is used based on the following principle: (i) projects not using state funds will only need governmental authorization for important and restricted investment projects relating to public or social interest; and (ii) other projects without state funds, no matter how large the scale, only need to be put on record, and enterprises are free to make decisions and assume risks on market prospects, economic benefits, sources of capital and product planning. The appendix to the Investment Reform Decision contains *The Catalog of Investment Projects Authorized by the Government (2004)* (《政府核准的投資項目目錄(2004年本)》) (the "**Authorization Catalog**"). The Authorization Catalog lists: (i) major and restricted fixed-asset investment projects that are not state funded and that are subject to authorization from relevant government departments; and (ii) non-state funded projects invested in by enterprises that are neither covered in the Authorization Catalog nor prohibited by national laws, regulations or the rules set out by the State Council and that need only be put on record.

Provisional Administrative Measures on the Examination and Approval of Foreign Investment Projects

Pursuant to the Investment Reform Decision, on 9 October 2004 the NDRC promulgated *The Provisional Administrative Measures on the Examination and Approval of Foreign Investment Projects* 《外商投資項目核准暫行管理辦法》) (the "**Provisional Administrative Measures**") which became effective on the date of promulgation. According to *The Provisional Administrative Measures and the Circular on Delegation of Approval Authority for Foreign Investment Projects* (《關於做好外商投資項目下放核准權限工作的通知》) promulgated by the NDRC on 4 May 2010 and taking effect from the same day, the NDRC shall examine and approve foreign investment projects: (i) with a total investment of US$300 million or more that come within the category of industries in which foreign investment is encouraged or permitted; and (ii) those with a total investment of US$50 million or more that come within the category of industries in which foreign investment is subject to restrictions. Furthermore, foreign investment projects with a total investment of US$500 million or more that come within the category of industries in which foreign investment is encouraged or permitted and those with total investment of US$100 million or more that come within the category of industries in which foreign investment is subject to restrictions are subject to further approval by the State Council based on the examination and approval of the NDRC. Local counterparts of the NDRC have authority to approve projects with total investment less than the above thresholds. The Provisional Administrative Measures does not provide any explicit legal consequences or penalties for those projects which have not been examined and approved by the relevant development and reform commissions.

Foreign Exchange Registration of Offshore Investment by PRC Residents

Pursuant to the SAFE's *Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Financing and Inbound Investment via Overseas Special Purpose Vehicles* (《國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》), generally known in China as SAFE Circular No.75, issued on October 21, 2005, (i) a PRC citizen residing in the PRC, who is referred to as a PRC resident in SAFE Circular 75, shall register with the local branch of the SAFE before it establishes or controls an overseas SPV for the purpose of overseas equity financing (including convertible debts financing); (ii) when a PRC resident contributes the assets of or its equity interests in a domestic enterprise into an SPV, or engages in overseas financing after contributing assets or equity interests into an SPV, such PRC resident shall register his or her interest in the SPV and the change thereof with the local branch of the SAFE; and (iii) when the SPV undergoes a material event outside of China, such as change in share capital or merger and acquisition, the PRC resident shall, within 30 days from the occurrence of such event, register such change with the local branch of the SAFE.

Under the relevant rules, failure to comply with the registration procedures set forth in Circular 75 may result in restrictions being imposed on the foreign exchange activities of the relevant onshore company, including the increase of its registered capital, the payment of dividends and other distributions to its offshore parent or affiliate and the capital inflow from the offshore entity, and may also subject relevant PRC residents to penalties under PRC foreign exchange administration regulations.

On December 25, 2006, the People's Bank of China promulgated the *Measures for the Administration of Individual Foreign Exchange* (《個人外匯管理辦法》), and on January 5, 2007, the SAFE further promulgated the implementation rules on those measures (《個人外匯管理辦法實施細則》). Both became effective on February 1, 2007. According to the implementation rules, PRC citizens who are granted shares or share options by a company listed on an overseas stock market according to its employee share option or share incentive plan are required, through the PRC subsidiary of such overseas listed company or any other qualified PRC agent, to register with the SAFE and to complete certain other procedures related to the share option or other share incentive plan. Foreign exchange income received from the sales of shares or dividends distributed by the overseas listed company may be remitted into a foreign currency account of such PRC citizen or be exchanged into Renminbi. Our PRC citizen employees who have been granted share options are subject to the Individual Foreign Exchange Rules. If we or our PRC citizen employees fail to comply with these regulations, we or our PRC option holders may be subject to fines and legal sanctions.

On 15 February 2012, the SAFE promulgated the *Notice on the Issues Concerning Foreign Administration of Domestic Individuals Participating in Equity Incentive Plans of Overseas Listed Companies* (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理問題有關問題的通知》), according to which the offshore investment SAFE registration and the relevant affairs shall be handled aggregately by means of mandating a domestic agency through domestic subsidiaries for the Equity Incentive Plans of an offshore listed company. Such domestic agencies could either be a domestic subsidiary or an asset management company designated by a domestic subsidiary.

M&A Rules

On August 8, 2006, six PRC regulatory agencies, including the MOFCOM, the State Assets Supervision and Administration Commission, the State Administration of Taxation, the SAIC, the CSRC and the SAFE, jointly issued the *Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors*《關於外國投資者並購境內企業的規定》(the "**M&A Rule**"), which became effective on September 8, 2006 and was amended on June 22, 2009. This M&A Rule, among other things, includes provisions that purport to require that a SPV formed for purposes of overseas listing of equity interest in PRC companies and controlled directly or indirectly by PRC domestic companies or individuals obtain the approval of the CSRC prior to the listing and trading of such SPV's securities on an overseas stock exchange.

2. **Taxation**

Enterprise Income Tax

The National People's Congress promulgated *The Law of the PRC on Enterprise Income Tax* (《中華人民共和國企業所得稅法》) on 16 March 2007 and *The Regulations for the Implementation of the Law on Enterprise Income Tax* (《中華人民共和國企業所得稅法實施條例》) on December 6, 2007 (collectively, the "**EIT Law**"). The EIT Law came into effect on 1 January 2008. According to the EIT Law, taxpayers consist of resident enterprises and non-resident enterprises. Resident enterprises refer to enterprises that are established in accordance with PRC laws, or that are established in accordance with the laws of foreign countries but whose actual or de facto control is administered from within the PRC. Non-resident enterprises refer to enterprises that are set up in accordance with the laws of foreign countries and whose actual administration is conducted outside the PRC, but who (whether or not through the establishment of institutions in the PRC) derive income from the PRC. Under the EIT Law and relevant implementing regulations, a uniform corporate income tax rate of 25 per cent is applicable. However, if non-resident enterprises have not established institutions in the PRC, or if they have established institutions in the PRC but there is no actual relationship between the relevant income derived in the PRC and the institutions set up by them, enterprise income tax is set at the rate of 10 per cent.

Value-added Tax

The Provisional Regulations of the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例》) (the "**Provisional VAT Regulations**") were promulgated by the State Council on 13 December 1993, came into effect on 1 January 1994 and were amended on 10 November 2008. *The Detailed Rules for the Implementation of the Provisional Regulations of the PRC on Value-added Tax* (《中華人民共和國增值稅暫行條例實施細則》) (the "**Provisional VAT Implementation Rules**") were promulgated by the Ministry of Finance on 25 December 1993 and were subsequently amended and came into effect on 1 January 2009 and 1 November 2011. According to the Provisional VAT Regulations and the Provisional VAT Implementation Rules, all enterprises and individuals engaged in the sales of goods, the provision of processing, repair and replacement services, and the importation of goods within the territory of the PRC must pay value-added tax. For taxpayers selling or importing goods other than those specifically listed in the Provisional VAT Implementation Rules, or for taxpayers providing processing, repairs and replacement services, the value-added tax rate is 17 per cent.

Business Tax

Pursuant to *The Provisional Regulations of the PRC on Business Tax* (《中華人民共和國營業稅暫行條例》), effective from January 1, 1994 and as amended on November 10, 2008, and its implementation rules, all institutions and individuals providing taxable services, transferring intangible assets or selling real estate within the PRC must pay business tax.

On November 16 2011, the Financial Ministry and the State Administration of Taxation promulgated the *Notice of Circulating the Trial Scheme of the Transformation from Business Tax into Value-added Tax* (《關於印發<營業稅改徵增值稅試點方案>的通知》) and began to enforce on 1 January 2012 in some trial spots. Pursuant to the Trial Scheme, for the institutions and individuals carrying transportation, construction business and providing other modern services in the trial spots, they shall pay VAT ever since 1 January 2012 instead of business tax originally paid.

Stamp Tax

The State Council promulgated *The Provisional Regulations of the PRC on Stamp Tax* (《中華人民共和國印花稅暫行條例》) (the "**Provisional Stamp Tax Regulations**") on 6 August 1988, which came into effect on 1 October 1988 and amended on 8 January 2011. The Ministry of Finance and the State Administration of Taxation collectively promulgated the *Detailed Rules of Implementation of the Provisional Regulations of the PRC on Stamp Tax* (《中華人民共和國印花稅暫行條例施行細則》) (the "**Provisional Stamp Tax Implementation Rules**") on 29 September 1988, which came into effect on 1 October 1988. According to the Provisional Stamp Tax Regulations and the Provisional Stamp Tax Implementation Rules, all institutions and individuals creating and obtaining taxable documents within the PRC shall pay stamp tax. The list of taxable document includes purchase and sale contracts, processing contracts, construction project contracts, property lease contracts, cargo freight contracts, warehousing and storage contracts, loan contracts, property insurance contracts, technical contracts, other documents that resemble a contract in nature, title transfer deeds, business account books, certificates of rights, licenses and other taxable documents specified by the Ministry of Finance. The scope of documents which are stampable and the rates of stamp tax are prescribed in the List of Items and Rates of Stamp Tax (印花稅稅目稅率表) attached to the Provisional Stamp Tax Regulations.

City Maintenance and Construction Tax, Education Surcharge

Historically, foreign invested enterprises were exempted under PRC tax laws from urban maintenance and construction tax and educational surcharges. This position changed in 2010 when *The Notice of the State Council on Unifying the Urban Maintenance and Construction Tax and Educational Surcharges System between Domestic and Foreign Invested Enterprises and Individuals* was issued by the State Council on 18 October 2010 (《國務院關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知》). Pursuant to this notice, both *The Interim Regulation of the PRC on Urban Maintenance and Construction Tax* (《中華人民共和國城市維護建設稅暫行條例》) promulgated by the State Council in 1985 and The Interim Regulation on the Collection of Educational Surcharges (《徵收教育費附加的暫行規定》) promulgated by the State Council in 1986 apply to foreign invested enterprises, foreign enterprises and individuals of foreign nationalities with effect from 1 December 2010.

Both the urban maintenance and construction tax and the education surcharge are payable by all PRC taxpayers that are subject to the payment of product tax, value added tax and/or business tax. The urban maintenance and construction tax rate is seven per cent for taxpayers domiciled in an urban area, five per cent for taxpayers domiciled in a county or a town and one per cent for taxpayers domiciled anywhere that is not in an urban area or a county or town. The educational surcharge is calculated at the rate of three per cent.

Anti-dumping Duties

MOC launched an anti-dumping probe into color photographic paper imported from the EU, the United States and Japan on December 23, 2010, in response to an application filed by domestic color photographic paper producers. It announced on March 22, 2012 that from this date on it will levy anti-dumping duties on color photographic paper imported from the EU, the United States and Japan since the imports have caused "material damage" to the industry in China. In addition, according to the announcement issued by the Ministry of Commerce, during the period from 10 August 2011 to 22 March 2012, in case that the relevant photographic paper products importing operators had provided security deposits to the General Administration of Customs of the PRC according to the preliminary judgment, such security deposits shall be calculated at the anti-dumping tax rate according to the announcement issued by the Ministry of Commerce and then converted into anti-dumping tax. The relevant imported products shall also be liable to value-added tax accordingly and the security deposits shall also be calculated as value-added tax for the import process. If the security deposit provided by the relevant importing operator during this period exceeded the anti-dumping tax and the portion of the corresponding value-added tax of the import process, the excess amount will be refunded by the General Administration of Customs, and any shortfall in the levied amount will not be subject to levy again.

The duty rates range from 16.2% to 28.8%, depending on the dumping margin, or the difference between the average value of the product in its country of origin and its export price. The specific duty rates is as follows:

1. the companies in the EU:

    (1) Kodak Limited 19.4%

    (2) FUJIFILM Manufacturing Europe B.V. 17.5%

    (3) All Others 19.4%

2. the companies in the United States:

    (1) FUJIFILM Manufacturing U.S.A., Inc. 16.2%

    (2) All Others 28.8%

3. the companies in Japan: 28.8%

The anti-dumping measures will last for five years beginning March 23, 2012.

Measures of the People's Republic of China on Administration of Invoices

Pursuant to the *Measures of the People's Republic of China on Administration of Invoices* (《中華人民共和國發票管理辦法》) implemented on 23 December 1993 and amended on 20 December 2010, where organizations and individuals that sell merchandises, provide services and conduct other business activities collect money from other parties, invoices shall be made out by the payee to the payer; under special circumstances, invoices can be made out by the payer to the payee. Where a requisite invoice is not made out, the taxation authority shall order the relevant party to rectify and impose a fine of less than RMB10,000. Any illegal gains arising therefrom shall be confiscated.

3. **Production and Distribution of Medical Devices in the PRC**

Classification of medical devices

In China, medical devices are classified according to a catalog issued by the State Food and Drug Administration (the "**SFDA**") into three different categories, Class I, Class II and Class III, depending on the degree of risk associated with each device and the extent of control needed to ensure safety and effectiveness. While medical devices in all categories require product registration, classification of a device determines the types of registration required and the level of regulatory authority involved in effecting the product registration. Classification of a medical device also determines whether a manufacturer needs to obtain a production permit and the level of regulatory authority involved in obtaining such permit.

The Regulations on the Supervision of Medical Devices (《醫療器械監督管理條例》), promulgated by the State Council effective on 1 April 2000 defines the three classes of medical devices as follows:

Class I medical devices are those for which safety and effectiveness can be ensured through routine administration. Class I devices require product registration and are regulated by the municipal level food and drug administration where the manufacturer is located.

Class II medical devices are those for which further control is required to ensure their safety and effectiveness. Class II devices require product registration, usually through a quality system assessment, and are regulated by the provincial level food and drug administration where the manufacturer is located.

Class III medical devices are those which are implanted into the human body, or used for life support or sustenance, or pose potential risk to the human body and thus must be strictly controlled in respect of safety and effectiveness. Class III devices also require product registration and are regulated by the SFDA under the strictest regulatory control. All medical devices that the Company produce belong to Class I medical devices.

Product registration for medical devices

Pursuant to the *Administrative Measures for the Registration of Medical Devices* (《醫療器械註冊管理辦法》) promulgated by the SFDA effective on 9 August 2004, before a medical device can be manufactured for commercial distribution, a manufacturer must register and obtain a registration certificate for the medical device (《醫療器械註冊證書》) by proving its safety and effectiveness to the satisfaction of the respective levels of the food and drug administration. Domestically manufactured Class III devices are subject to direct review by the SFDA whereas Class II and I devices are reviewed and approved by the provincial and local food and drug administration, respectively.

Production permit

Pursuant to the *Regulations on the Supervision and Administration of Medical Devices* (《醫療器械監督管理條例》), a manufacturer must obtain a production permit (《醫療器械生產企業許可證》) from the respective level of food and drug administration before commencing the manufacture of Class II and Class III medical devices. In general, the State Administration for Industry and Commerce (國家工商行政管理總局) and/or its local branches will not issue a business license to a manufacturer of Class II and Class III medical devices before it has obtained a production permit. Accordingly, a manufacturer will not be able to commence any business operations without a production permit. No production permit is required for the manufacture of Class I devices, but the manufacturer must notify the provincial level food and drug administration where the manufacturer is located and file for record with it.

Distribution license

According to the *Measures for the Administration of Permits for Enterprises that Operate Medical Devices* (《醫療器械經營企業許可證管理辦法》) which became effective on 9 August 2004, A distributor must go through examination and approval procedures and obtain a distribution license (《醫療器械經營企業許可證》) in order to engage in the sale and distribution of Class II and Class III medical devices in China. Similar to the approval process for the production permit, a Class I medical device trading distributor only needs to notify the provincial level food and drug administration and file for record with it. A distribution license is valid for five years and is renewable upon expiration.

4. **Product Liability and Protection of Consumers**

Product liability claims may arise if the products sold have any harmful effect on consumers. The injured party can claim for damages or compensation. *The General Principles of the Civil Law of the PRC* (《中華人民共和國民法通則》), which became effective on 1 January 1987, states that manufacturers and sellers of defective products causing property damage or injury shall incur civil liabilities.

The Product Quality Law of the PRC (《中華人民共和國產品質量法》) was enacted in 1993 and amended in 2000 to strengthen quality control of products and reinforce consumers' rights. Under this law, manufacturers and operators who produce and sell defective products may be subject to confiscation of earnings from such sales, the revocation of business licenses and imposition of fines, and in severe circumstances, may be subject to criminal liability.

Product liability

The Tort Law of the PRC (《中華人民共和國侵權責任法》) was promulgated on 26 December 2009 and became effective from 1 July 2010. Under this law, a patient who suffers injury from a defective medical device can claim for damages from either the medical institution or the manufacturer. If the patient claims for damages from the medical institution, the medical institution has the right to claim for repayment from the manufacturer.

The PRC Law on the Protection of the Rights and Interests of Consumers (《中華人民共和國消費者權益保護法》) was promulgated on 31 October 1993 and enacted from 1 January 1994 to protect consumers' rights when they purchase goods or services. All business operators must comply with this law. When they manufacture or sell goods and/or provide services to customers. In extreme circumstances, medical device manufacturers and distributors may be subject to criminal liability if their goods or services lead to the death or injuries of patients or other third parties.

5. **Property**

According to *The Land Administration Law of the PRC* (《中華人民共和國土地管理法》), which was promulgated on 25 June 1986 and revised on 29 August 1998, 29 December 1998 and 28 August 2004, respectively, urban land in the PRC belongs to the state and land in rural and suburban areas (except as otherwise owned by state), as well as housing land, individual land plots and hilly land, belongs to relevant farming collectives. State-owned land and land owned by farming collectives may, according to law, be provided for use by organized work units (including enterprises) or individuals. Enterprises or individuals using land have the obligation to protect, manage and use the land in a reasonable and fair manner.

Because all land in the PRC is owned either by the state or by farming collectives, enterprises and individuals must enter into land use rights agreements with the relevant land owner in order to establish relevant property rights over land unless otherwise prescribed by law. The rights conferred through a valid land use rights agreement are evidenced in a *State Owned Land Use Rights Certificate* 《國有土地使用證》) or a *Collectively Owned Land Use Rights Certificate* (《集體土地使用權證》). Generally speaking, state-owned land use rights are valid for a period of 50 years in respect of land for commercial or industrial use, and 70 years in respect of land for residential use.

The Property Law of the PRC (《中華人民共和國物權法》) (the "Property Law") was promulgated by the National People's Congress on 16 March 2007 and came into effect on 1 October 2007. The Property Law defines "property" as including immovable property and moveable property. "Property rights" are defined as the right enjoyed by the property right holder to directly control, to the exclusion of others, certain property. Property rights are comprised of the right to possess, the right to use, the right to enjoy the profit and advantages from, and the right to security over a certain item of property. The Property Law stipulates that legal title to property confers on the title holder the right to possess, use, derive benefit and advantage from, and to dispose of the property.

Leases of buildings

Pursuant to the Administration Measures for Administration of Commodity Housing Tenancy (商品房屋租賃管理辦法) promulgated on 1 December 2010 and effective as of 1 February 2011, the parties to a real estate lease shall go through the lease registration formalities with the competent construction (real estate) departments of the municipalities directly under the Central Government, cities and counties where the housing is located within 30 days after the lease contract is signed. There will be a fine below RMB1,000 on individuals who fail to make corrections within the specified time limit, and a fine between RMB1,000 and RMB10,000 on units which fail to make corrections within the specified time limit.

Measures for the Administration of Construction Permits for Construction Projects

Pursuant to the *Measures for the Administration of Construction Permits for Construction Projects* (《建設工程施工許可管理辦法》) which was effective from 1 December 1999 and revised on 4 July 2001 (the "**Construction Permits Measures**"), for construction, renovation and decoration of different kinds of buildings and facilities thereof, installation of supporting circuits, pipes, equipment and construction of infrastructure in the cities within the territory of the PRC, the construction entity shall, prior to the commencement of the construction and in accordance with the provisions of the Construction Permits Measures, apply to the construction administrative department of the local government above the county level where such construction located (hereinafter referred to as the "**Permit Issuing Authority**") for a construction permit. Construction project for which a construction permit is required under the provisions set out in the Construction Permits Measures shall not commence before obtaining a construction permit. For construction project which have not obtained the construction permit or construction project which have been divided into a number of projects in order to avoid applying the construction permit and have commenced construction without authorization, the competent Permit Issuing Authority shall order rectification. Any construction project which does not meet the conditions for commencement of construction shall be ordered to stop the construction, and a fine less than RMB30,000 but more than RMB5,000 shall be imposed against the construction entity and the construction contractor.

6. **Environmental Protection**

Environmental Protection Law

The Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) (the "**Environmental Protection Law**"), which was promulgated by the SCNPC and came into effect on 26 December 1989, aims to protect and develop the environment, prevent and cure pollution and other public hazards, and safeguard human health. Pursuant to the Environmental Protection Law, all enterprises and institutions that may cause environmental pollution and other public hazards are required to adopt effective measures to prevent and control pollution levels and harm caused to the environment in the form of waste gas, waste water and solid waste, dust, malodorous gas, radioactive substances, noise, vibration and electromagnetic radiation generated in the course of production, construction or other activities. Enterprises and institutions discharging pollutants must report to and register with the relevant authorities in accordance with the provisions of the competent department of environmental protection administration under the State Council, and enterprises and institutions discharging pollutants in excess of the prescribed national or local discharge standards shall pay a fine for excessive discharge according to state provisions and shall assume responsibility for eliminating and controlling the pollution. Any individual or entity that violates the Environmental Protection Law and relevant environmental regulations may be subject to warnings or payment of damages and fines. Any entity undertaking construction work or manufacturing activities before the pollution and waste control and processing facilities are inspected and approved by the environmental protection department may be ordered to suspend production or operations and may be fined. Any individual or entity that violates the relevant environment protection laws and regulations may also be exposed to criminal liability if such violations resulted in loss of property, personal injuries or death.

Environmental Impact Assessment and Environmental Protection Examination and Approval

Pursuant to *The Environmental Impact Assessment Law of the PRC* (《中華人民共和國環境影響評價法》) promulgated by the SCNPC on 28 October 2002 and with effect from 1 September 2003, enterprises are required to engage institutions with corresponding environmental impact assessment qualifications to provide environmental impact assessment services and reports for submission to the competent environmental protection administrative authorities. Construction work may only be commenced after such an assessment is submitted to and approved by the environmental protection administrative authority. The construction of pollution prevention and control facilities in a construction project must be designed, constructed and commenced simultaneously with the main facility. *The Rule on Classification for Environmental Impact Assessment of Construction Projects* (《建設項目環境影響評價文件分級審批規定》), promulgated by the Ministry of Environmental Protection of the PRC, and with effect from 1 March 2009, further classified the construction projects whose environmental impact assessment shall be submitted to and approved by the Ministry of Environment and its local counterparts at provincial level. For those approvals made by lower environmental authorities on the construction projects which should have been submitted for approval to a higher competent environmental authority, the higher competent authority may revoke the approval made by such lower authority. For those who commence construction work without submitting environmental assessment reports in accordance with the regulations, the competent environmental protection authorities can order the proprietors to rectify the procedures within a prescribed period, failing which the competent authorities can order to cease the construction and impose a fine more than RMB50,000 but less than RMB100,000 to the proprietors, and can impose administrative penalties to persons directly in charge; for those who have submitted environmental assessment reports but commence construction work without obtaining the approvals of such environmental assessment reports, the competent environmental protection authorities can order to cease the construction and impose a fine more than RMB50,000 but less than RMB100,000 to the proprietors, and can impose administrative penalties to persons directly in charge. Pursuant to the *Administrative Measures for Examination and Approval of Environmental Protection Facilities for*

Construction Projects (《建設項目竣工環境保護驗收管理辦法》), the auxiliary environmental protection facilities must be put into production, operation or trial production only at the same time as main facilities. After the completion of projects, the proprietors shall apply to the environmental protection authorities for environmental protection examination and approval; for projects which trial production will be commenced in advance, they shall apply for trial production approvals, of which the effective period is three months and can generally be extended to a year. The proprietors shall apply for official environmental protection examination and approval within the effective period of trial production. Pursuant to the *Administrative Measures for Examination and Approval of Environmental Protection Facilities for Construction Projects* (《建設項目竣工環境保護驗收管理辦法》) and the *Administrative Regulations for the Environmental Protection of Construction Projects* (《建設項目環境保護管理條例》), if the relevant parties fail to put the auxiliary environmental protection facilities into trial production at the same time as the main facilities, or fail to apply for examination and approval within the effective period of trial production, the competent authorities can order the relevant parties to rectify the procedures within a prescribed period, failing which the authorities can order to cease production and impose a maximum fine of RMB50,000; if the relevant parties put their main facilities of projects to use prior to the completion of auxiliary environmental protection facilities or obtaining the environmental protection examination and approval, the competent authorities can order the relevant parties to cease production and impose a maximum fine of RMB100,000.

7. Employment and Social Security

Employment Laws

The Employment Contract Law (《中華人民共和國勞動合同法》), which was implemented on 1 January 2008, is primarily aimed at the regulation of employee/employer rights and obligations, including matters with respect to the establishment, performance and termination of labor contracts. Under the law, (i) employers must pay employees double income in circumstances where an employer fails to enter into an employment contract within one year with an employee who works for the employer for a period exceeding one month. Where such period exceeds one year, the parties are deemed to have entered into a labor contract with an “unfixed term”; (ii) employees who fulfill certain criteria, including having worked for the same employer for 10 years or more, may demand that the employer execute a labor contract with an unfixed term; (iii) employees must adhere to regulations concerning commercial confidentiality and non-competition; (iv) an upper limit not exceeding the cost of training supplied to the employee has been set on the amount of compensation an employer may seek for an employee’s breach of contract; (v) employees in respect of whom employers have not in accordance with law made social insurance contributions may terminate their employment contracts; (vi) employers who demand money or property from employees by way of guarantee or any other method may be fined a maximum of RMB2,000; and (vii) employers who intentionally deprive employees of any part of their salary must, in addition to their full salary, pay employees compensation in the order of 50 per cent to 100 per cent of the amount of salary so deprived.

Social Insurance and Housing Funds

Pursuant to the *Interim Regulations Concerning the Levy of Social Insurance Fees* (《社會保險費徵繳暫行條例》) implemented on 22 January 1999, if an enterprise fails to comply with the regulations to pay its own social insurance premiums or to withhold and pay the insurance premiums for their staff, the administrative department of labor security or tax authority shall order it to pay within a prescribed time limit, failing which a fine of 0.2% on the outstanding contributions from the due date of the payment will be imposed on top of the outstanding contributions.

As required by *The Social Insurance Law of the PRC* (《中華人民共和國社會保險法》) implemented on 1 July 2011, enterprises are obliged to provide their employees in the PRC with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, injury insurance and medical insurance. If enterprises fail to contribute the due social insurance funds for their employees in full or on time, the relevant authorities can impose a daily surcharge of 0.05% on the outstanding contributions from the due date of payment within a prescribed period, failing which the authorities can impose a fine of one to three times of the outstanding contributions.

In accordance with *The Regulations on the Management of Housing Funds* (《住房公積金管理條例》), as amended in 2002, enterprises must register at the competent managing center for housing funds and, upon the examination by such managing center of housing fund, complete procedures for opening an account at the relevant bank for the deposit of employees' housing funds. Enterprises are also obliged to pay and deposit housing funds in full and on time. In case the enterprises do not duly open the housing provident funds account, the relevant authorities can order ratification within a prescribed period, failing which the relevant authorities can impose them a fine less than RMB50,000 but more than RMB10,000. If the enterprises fail to pay the housing provident funds for employees in full or on time, the relevant authorities can order the payment of outstanding contributions within a prescribed time limit, failing which the authorities may apply to the court for compulsory execution.

BUSINESS DEVELOPMENT

Our Group, our Controlling Shareholders or the family members of our Chairman have been conducting business with Fujifilm Group since 1971. Over the 42 years, such cooperation has included the manufacturing and/or sales of photo imaging products (such as color photographic paper, color film and other photo-related products), document printing products and medical products (such as medical dry film and wet film) in Indonesia, Vietnam, India, Cambodia and the PRC. In 1971, the family members of our Controlling Shareholders commenced business with Fujifilm Group by engaging in the sale of photo-related products of Fujifilm Group in Indonesia. In the 1970's, their companies became recognized by Fujifilm Group as the manufacturer of color photographic paper and other photo-related products of Fujifilm Group, as well as the distributor of all products of Fujifilm Group in Indonesia. Over the years, their companies have been engaged in the distribution of photo-related products, digital printing equipment, medical equipment and other products of Fujifilm Group in Indonesia. Their company is also the franchisor of Fuji Image Service stores in Indonesia. In 1996, companies controlled by our Controlling Shareholders became a distributor and manufacturer of color photographic paper and other photo-related products of Fujifilm Group in Vietnam. Gradually, they distributed a greater variety of products of Fujifilm Group in Vietnam, including document printing products, cosmetic products and medical equipment. In 2004 and 2012, our Controlling Shareholders expanded their cooperation with Fujifilm Group for the distribution of color photographic paper and other photo-related products in Cambodia and India, respectively. In 2008, their companies were also engaged in distribution of medical products of Fujifilm Group in Cambodia. In 2012, they opened an image printing store in India which sells products of Fujifilm Group.

Our Group was established in 2000 with the establishment of Yestar Shanghai by our Controlling Shareholders. Set out below are the key milestones in our business development:

2000 Yestar Shanghai was established to engage in the imaging business.

2001 We began to purchase color photographic paper and color film from Fujifilm Group.

2002 We were appointed by Fujifilm Group to promote its cameras in Shanghai.

2004 We had established 25 branch companies and representative offices in various cities in the PRC by 2004.

In the same year, we were authorized by Fujifilm Group to establish FYDI stores (i.e. Fujifilm Yestar Digital Imaging Stores) using the Fujifilm signboard in the PRC.

Yestar Technology was established to engage in, amongst others, the production of color photographic paper and color film.

2005 We entered into master contracts with Fujifilm Group for the processing and sales of Fujifilm color photographic paper and color film in the PRC.

Our first production line for color photographic paper and color film commenced operation in Gaoxin Processing Plant.

2006 An additional production line for color photographic paper commenced operation.

2007 Fujifilm Group has recognized that since May 2007, we have been the largest authorized distributor of Fujifilm color photographic paper and Fujifilm color films in the PRC and nearly all the Fujifilm color photographic paper and all the Fujifilm color films sold in ready-to-use form in the PRC have been distributed by us.

Since 2007, Fujifilm Group's after-sales service hotline and repair services for photofinishing equipment in China has been operated by us.

Our third production line for color photographic paper also commenced operation in the same year.

2009 Fujifilm Group has recognized that since June 2009, we have been the largest authorized processor of Fujifilm color photographic paper and Fujifilm color films into ready-to-use form in the PRC and nearly all the Fujifilm color photographic paper and all the Fujifilm color film processed into ready-to-use form in the PRC have been processed into ready-to-use form by us.

In the same year, our fourth production line for color photographic paper commenced operation.

To boost sales of photo printing and document printing equipment and consumables of Fujifilm Group, we began to sell document printing products to photofinishing stores in the PRC to help them diversify their businesses.

In the same year, we began to sell FMCG in the PRC.

2010 Our fifth production line for color photographic paper commenced operation.

In the same year, to capitalize on the high growth potential in the medical sector, we commenced processing and sales of Fujifilm medical dry films to Fujifilm Group in the PRC.

2011 We successfully applied the know-how for production of industrial NDT x-ray film and dental film, and developed the formula for a two-in-one developer-and-fixer working solution for dental films with our R&D capability and/or through cooperation with a retired teacher of Shanghai Jiao Tong University.

We began to manufacture and sell dental film and industrial NDT x-ray film under our own Yes!Star brand in the PRC in the same year.

In 2011, Yestar Medical obtained GB/T, 19001-2008 idt ISO 9001:2008 Certificate and YY/T 0287-2003 idt ISO 13485:2003 Certificate for the design, development, production and service of Fuji Medical Dry Film.

To focus on our core business lines, we effectively ceased to operate FMCG business in December 2011.

2012	We began to distribute Fujifilm industrial NDT x-ray film in the PRC.
	Our sixth processing line for color photographic paper commenced operation.
	In the same year, we began construction of our new processing plant, Jinkai Processing Plant, in Nanning, Guangxi, the PRC.
	In around October 2012, we completed part of the first phase construction of Jinkai Processing Plant and commenced processing of Fujifilm PWB film in Jinkai Processing Plant and Fujifilm medical wet film in Gaoxin Processing Plant. We commenced sales of these products in November 2012.
	In October 2012, the management systems of Yestar Medical were accredited for meeting the requirements of ISO 13485:2003 EN ISO 13485:2012 for the processing of Dental X-ray Film, as well as for meeting the requirements of Directive 93/42/EEC on medical devices, Annex V for Dental X-ray Film.
	In December 2012, Yestar Shanghai obtained ISO 9001:2008 Certificate for quality management system applicable to sales of industrial film, dental film, prescribed digital imaging products and photofinishing services.
2013	In June 2013, we were appointed by Fujifilm China Investment as the sole and exclusive distributor of Fujifilm color photographic paper in the PRC.

As at 1 January 2010, we recorded accumulated losses of approximately RMB19 million. Our Directors considered that we improved our profitability and turnaround our loss making position partly as a result of greater control over the distribution of Fujifilm color photographic paper in the PRC market after we became the largest authorized distributor of Fujifilm color photographic paper in the PRC in May 2007 as recognized by Fujifilm Group, our advantage as the largest authorised processor of Fujifilm color photographic paper into ready-to-use form in the PRC as recognized by Fujifilm Group in June 2009, greater economy of scale with the increase in our production lines over the years and our strengthened experience in the relevant industry. Our Directors considered that the rebound in the performance of the color photographic paper market in the PRC in 2010 was also a significant driver for improving our profitability.

CORPORATE DEVELOPMENT AND STRUCTURE

Our Group comprises our Company and 6 subsidiaries as set out below, showing their principal businesses as at the Latest Practicable Date and the dates on which the respective members became part of our Group:

Names of Group Member	Principal business	Date becoming a member of our Group
Yestar BVI	Investment holding	1 February 2012
Yestar HK	Investment holding	29 February 2012
Yestar Shanghai	Marketing and sales of color photographic paper, photo-related products, document printing equipment and consumables, industrial NDT x-ray films and dental films	20 July 2000
Yestar Technology	Processing and sales of color photographic paper and manufacture of industrial NDT x-ray films	23 July 2004
Yestar Medical	Processing of dental films and manufacture and sales of medical dry films and medical wet films	24 December 2009
Yestar Imaging	Processing of color photographic paper and manufacture and sales of PWB films	23 November 2010

Our Company

Our Company was incorporated on 1 February 2012 in the Cayman Islands. Our Company has an authorized share capital of HK$380,000.0 consisting of 3,800,000 Shares and was owned as to 51.0% by Ms. Jeane Hartono, 20.0% by Mr. James Hartono, 20.0% by Mr. Rico Hartono and 9.0% by Ms. Chen Chen Irene Hartono since incorporation until the Reorganization as described below. Ms. Jeane Hartono, Mr. James Hartono, Mr. Rico Hartono and Ms. Chen Chen Irene Hartono are all siblings. Of our Controlling Shareholders, only Mr. James Hartono sits on our Board and oversees the day-to-day management of our Group. Prior to the Listing, Mr. Rico Hartono had regularly attended monthly progress meetings of our Group, during which our senior management would report and review the monthly performances, plans and strategies of each Group company. Other than attending such progress meetings and asking questions regarding the matters discussed, Mr. Rico Hartono does not hold any position in the Group nor is he involved in any decision-making or management of our Group. Mr. Rico Hartono will not continue to attend monthly progress meetings of members of the Group after the Listing. Both Ms. Jeane Hartono and Ms. Chen Chen Irene Hartono are passive investors of our Company, relying on their brothers to oversee their interests in the Company.

Yestar BVI

Yestar BVI is an investment holding company of our Group. It was incorporated on 1 February 2012 in the BVI and it is authorized to issue 50,000 shares with no par value. Yestar BVI was owned as to 51.0% by Ms. Jeane Hartono, 20.0% by Mr. James Hartono, 20.0% by Mr. Rico Hartono and 9.0% by Ms. Chen Chen Irene Hartono since incorporation until the Reorganization as described below.

Yestar HK

Yestar HK is an investment holding company of our Group. It was incorporated on 29 February 2012 in Hong Kong with an authorized share capital of HK$10,000.0 divided into 10,000 shares of HK$1.0 each and is wholly-owned by Yestar BVI.

Yestar Shanghai

Yestar Shanghai is principally engaged in the marketing and sales of color photographic paper, photo-related products, document printing equipment and consumables, industrial NDT x-ray films and dental films. Yestar Shanghai was established in the PRC as a limited liability company on 20 July 2000 with a registered capital of RMB500,000.0. Due to the 1998 riots in Indonesia, there were tensions between the PRC and the Republic of Indonesia as well as anti-Indonesian sentiment in the PRC. In order to avoid any adverse impact on the operations of Yestar Shanghai due to the Indonesian nationality of our Controlling Shareholders, from the time of its establishment until 18 May 2006, the interests in Yestar Shanghai were held as to 50.0% by Mr. Zhang Yulin and 50.0% by Mr. Tang Dingxin, who held such interests as nominees on behalf of Ms. Jeane Hartono, Mr. James Hartono, Mr. Rico Hartono and Ms. Chen Chen Irene Hartono as to 51.0%, 20.0%, 20.0% and 9.0%, respectively. The registered capital of Yestar Shanghai was increased from RMB500,000.0 to RMB2,500,000.0 on 23 October 2001 and was further increased to RMB2,912,000.0 on 23 August 2004.

On 18 May 2006, Mr. Zhang Yulin and Mr. Tang Dingxin transferred the entire equity interests in Yestar Shanghai to Feng San, which continued to hold such interests as nominee on behalf of Ms. Jeane Hartono, Mr. James Hartono, Mr. Rico Hartono and Ms. Chen Chen Irene Hartono as to 51.0%, 20.0%, 20.0% and 9.0%, respectively. Such nominee arrangement was to avoid business competitors knowing the commercial activities of our Controlling Shareholders. As the transfer was between nominees of our Controlling Shareholders, the transfer was made at the nominal consideration of US$1.0. Each of such transfers was properly and legally completed. As a result, Yestar Shanghai became held as to 100.0% by Feng San. On 18 December 2006, the registered capital of Yestar Shanghai was increased from RMB2,912,000.0 to US$3,000,000.0. On 17 April 2009, the registered capital of Yestar Shanghai was reduced from US$3,000,000.0 to US$1,000,000.0.

On 22 July 2010, Feng San transferred the entire equity interest in Yestar Shanghai to Capital Group. Such transfer was properly and legally completed on 6 August 2010. As Capital Group was owned by Ms. Jeane Hartono, Mr. James Hartono, Mr. Rico Hartono and Ms. Chen Chen Irene Hartono as to 51.0%, 20.0%, 20.0% and 9.0%, respectively and Feng San held the interests in Yestar Shanghai as nominee for such persons, the transfer was made at the nominal consideration of US$10.0. Since then, Capital Group remained as the sole shareholder of Yestar Shanghai until the Reorganization as described below.

Yestar Technology

Yestar Technology is principally engaged in the processing and sales of color photographic paper and the manufacture of industrial NDT x-ray films. While sales of most of our products are conducted through Yestar Shanghai, Yestar Technology may engage in sales of color photographic paper to nearby wholesalers and end users in small quantities. Yestar Technology was established in the PRC as a limited liability company on 23 July 2004 with a registered capital of US$30,000,000.0. Upon establishment, Yestar Technology was held as to 15.0% by Beijing Beichen (then known as 北京北辰創新高科技發展有限公司) and 85.0% by Well Gain, which held such 85.0% interest as nominee on behalf of Ms. Jeane Hartono, Mr. James Hartono, Mr. Rico Hartono and Ms. Chen Chen Irene Hartono as to 51.0%, 20.0%, 20.0% and 9.0%, respectively. Such nominee arrangement was to avoid business competitors knowing the commercial activities of our Controlling Shareholders. On 30 September 2004, the registered capital of Yestar Technology was reduced from US$30,000,000.0 to US$20,000,000.0.

On 20 December 2005, Beijing Beichen transferred 5.0% equity interest in Yestar Technology to Forever Nice (a company owned by Ms. Chen Hong, a director of Yestar Technology and thus a connected person of the Company) and 5.0% equity interest in Yestar Technology to Well Gain. The Company was informed by Forever Nice that it acquired the said 5% equity interest in Yestar Technology from Beijing Beichen at nil consideration. Since Yestar Technology had been loss-making for the two financial years ended 31 December 2004 and 2005, after friendly negotiations, Well Gain agreed to take over part of Beijing Beichen's interests in Yestar Technology and therefore Beijing Beichen transferred 5.0% equity interests in Yestar Technology to Well Gain at nil consideration. Such additional 5.0% interest in Yestar Technology was again held by Well Gain as nominee on behalf of Ms. Jeane Hartono, Mr. James Hartono, Mr. Rico Hartono and Ms. Chen Chen Irene Hartono as to 51.0%, 20.0%, 20.0% and 9.0%, respectively. Each of the aforesaid transfers was properly and legally completed. As a result, Yestar Technology became held as to 5.0% by Beijing Beichen, 5.0% by Forever Nice and 90.0% by Well Gain, which held such 90.0% interest as nominee on behalf of Ms. Jeane Hartono, Mr. Rico Hartono, Mr. James Hartono and Ms. Chen Chen Irene Hartono as to 51.0%, 20.0%, 20.0% and 9.0%, respectively.

On 22 March 2006, Well Gain transferred 90.0% equity interest in Yestar Technology to Feng San, which held such interest as nominee on behalf of Well Gain, which in turn continued to hold such interests as nominee on behalf of Ms. Jeane Hartono, Mr. James Hartono, Mr. Rico Hartono and Ms. Chen Chen Irene Hartono as to 51.0%, 20.0%, 20.0% and 9.0%, respectively. Such nominee arrangement was to avoid business competitors knowing the commercial activities of our Controlling Shareholders. As the transfer was between Well Gain and its nominee Feng San, no consideration was paid for the transfer. Such transfer was properly and legally completed. As a result, Yestar Technology became held as to 90.0% by Feng San, 5.0% by Beijing Beichen and 5.0% by Forever Nice.

On 3 August 2009, the registered capital of Yestar Technology was reduced from US$20,000,000.0 to US$14,000,000.0 of which Beijing Beichen, Forever Nice and Feng San were to contribute 7.14%, 7.14% and 85.72%, respectively. As a result, the shareholding of Yestar Technology was adjusted according to its capital contribution and remained the same (with Feng San holding the

85.72% interest in Yestar Technology as nominee on behalf of Well Gain, which in turn continue to hold such interest as nominee on behalf of Ms. Jeane Hartono, Mr. James Hartono, Mr. Rico Hartono and Ms. Chen Chen Irene Hartono as to 51.0%, 20.0%, 20.0% and 9.0%, respectively) until the Reorganization as described below.

So far as our Directors are aware, Beijing Beichen has been involved in a PRC litigation and adjudged by the court to be liable for the payment of a sum amounting to RMB45,000,000 in 2009. As Beijing Beichen failed to pay the adjudged amount, according to the latest notice received from Beijing Second Intermediate People's Court, it was ordered that no change in ownership, sale and purchase, transfer, charge or mortgage of Beijing Beichen's equity interest in Yestar Technology could be effected without the court's approval, and such order would remain in effect until 5 March 2014. As at the Latest Practicable Date, the board of directors of Yestar Technology comprised five directors of which one was nominated by Beijing Beichen. As advised by our PRC Legal Advisers, given that Beijing Beichen is only a minority shareholder of Yestar Technology who does not have the right to appoint sufficient directors to the board of directors of Yestar Technology to control the board of Yestar Technology (which is the supreme governance authority of Yestar Technology according to its articles), the freeze of shares held by it has no adverse implications or risks to our Group. Our PRC Legal Advisers have also advised that, since Beijing Beichen's litigation does not involve any member of our Group, such litigation has no adverse implication or risks to our Group. As at the Latest Practicable Date, dividend payable of about RMB3.4 million to Beijing Beichen has not been settled yet. As advised by our PRC Legal Advisers, in order to comply with the latest notice from Beijing Second Intermediate People's Court and requirements under relevant PRC laws and regulations, Yestar Technology should not pay dividend to Beijing Beichen until the lift of the above order. Accordingly, the said dividend payable will be settled as soon as practicable upon the lift of such order.

Yestar Medical

Yestar Medical is principally engaged in the processing of dental films and the processing and sales of medical dry films and medical wet films. Yestar Medical was established in the PRC as a limited liability company on 24 December 2009 with a registered capital of US$1,050,000.0. From the time of its establishment until the Reorganization as described below, 100.0% interest in Yestar Medical was held by Feng San as nominee on behalf of Capital Group, a company owned as to 51.0% by Ms. Jeane Hartono, 20.0% by Mr. James Hartono, 20.0% by Mr. Rico Hartono and 9.0% by Ms. Chen Chen Irene Hartono. Such nominee arrangement was to avoid business competitors knowing the commercial activities of our Controlling Shareholders.

Yestar Imaging

Yestar Imaging is principally engaged in the processing of color photographic paper and manufacture and sales of PWB films. Yestar Imaging was established in the PRC as a limited liability company on 23 November 2010 with a registered capital of RMB8,000,000.0 and is wholly-owned by Yestar Shanghai since its establishment.

On 13 February 2012, the registered capital of Yestar Imaging was increased from RMB8,000,000 to RMB18,000,000.

In respect of all the aforesaid nominee arrangements of which share capitals of Yestar Shanghai, Yestar Technology and Yestar Medical were held by the relevant nominees on behalf of our Controlling Shareholders (or Capital Group, their wholly-owned company), as advised by our PRC Legal Advisers, there were no legal impediments for our Controlling Shareholders, in accordance with the relevant PRC laws, to hold the relevant equity interests in their own names at the relevant time.

REORGANIZATION

In preparation for the Listing, our Group has carried out the Reorganization which involved the following steps:

(a) On 1 February 2012, our Company was incorporated under the laws of the Cayman Islands with an authorized share capital of HK$380,000.0 consisting of 3,800,000 Shares. On 1 February 2012, 1 subscriber's Share was transferred to Ms. Jeane Hartono and each of Ms. Jeane Hartono, Mr. James Hartono, Mr. Rico Hartono and Ms. Chen Chen Irene Hartono subscribed for and were allotted 509 Shares, 200 Shares, 200 Shares and 90 Shares, respectively.

(b) On 1 February 2012, Yestar BVI was incorporated under the laws of the BVI which is authorized to issue up to 50,000 shares with no par value. On 1 February 2012, each of Ms. Jeane Hartono, Mr. James Hartono, Mr. Rico Hartono and Ms. Chen Chen Irene Hartono subscribed for and were allotted and issued 510 shares, 200 shares, 200 shares and 90 shares in Yestar BVI, respectively at the subscription price of US$510.0, US$200.0, US$200.0 and US$90.0, respectively. On 12 April 2012, each of Ms. Jeane Hartono, Mr. James Hartono, Mr. Rico Hartono and Ms. Chen Chen Irene Hartono further subscribed for and were allotted and issued 4,590 shares, 1,800 shares, 1,800 shares and 810 shares in Yestar BVI, respectively at the subscription price of US$45.9, US$18.0, US$18.0 and US$8.1, respectively.

(c) On 29 February 2012, Yestar HK was incorporated in Hong Kong with an authorized share capital of HK$10,000.0 consisting of 10,000 shares of HK$1.0 each. On the same day, Yestar BVI subscribed for and was allotted and issued with 10,000 shares in the share capital of Yestar HK.

(d) On 8 October 2012, Capital Group and Yestar HK entered into an equity interest transfer agreement pursuant to which Capital Group transferred 100% equity interest in Yestar Shanghai to Yestar HK at the consideration of US$1,000,000.0, which was determined after considering the total asset value and profits of Yestar Shanghai. Such transfer was completed on 8 November 2012.

(e) On 4 November 2012, Feng San (at the direction of our Controlling Shareholders), Forever Nice and Yestar HK entered into an equity interest transfer agreement pursuant to which Feng San and Forever Nice transferred their respective 85.72% and 7.14% equity interest in Yestar Technology to Yestar HK at the nominal consideration of US$10.0 and US$10.0, respectively since the transfers were part of the Reorganization and that Feng San held the 85.72% interests in Yestar Technology as nominee for the then ultimate beneficial owners of Yestar HK. Such transfers were completed on 10 December 2012.

(f) On 6 November 2012, Feng San (at the direction of Capital Group) and Yestar HK entered into an equity interest transfer agreement pursuant to which Feng San transferred 100% equity interest in Yestar Medical to Yestar HK at the nominal consideration of US$10.0, since the transfer was part of the Reorganization and Feng San held the 100.0% equity interests in Yestar Medical as nominee for Capital Group, a company owned by the then ultimate beneficial owners of Yestar HK. Such transfer was completed on 10 December 2012.

(g) On 18 December 2012, Forever Nice and Yestar BVI entered into a share subscription agreement pursuant to which Forever Nice agreed to subscribe for 172 new shares in Yestar BVI for cash at the total subscription price of US$10.0, being the entire consideration received by Forever Nice from the transfer of 7.14% equity interest in Yestar Technology. Such subscription was completed on 20 December 2012.

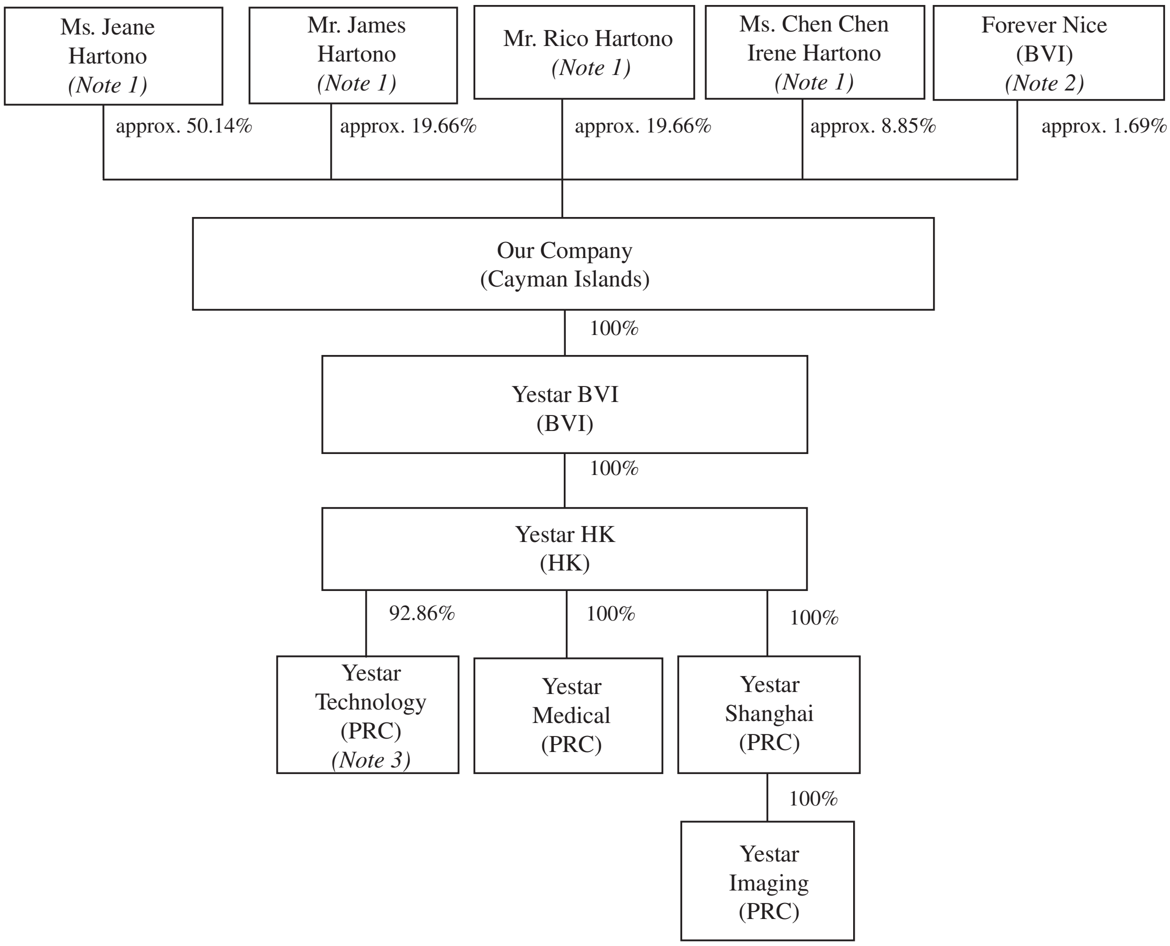
(h) On 18 September 2013, the authorized share capital of our Company was increased from HK$380,000.0 divided into 3,800,000 Shares to HK$100,000,000.0 divided into 1,000,000,000 Shares.

(i) On 18 September 2013, our Company entered into a deed for sale and purchase with, inter alia, the Yestar BVI Shareholders pursuant to which our Company acquired from the Yestar BVI Shareholders the entire issued shares of Yestar BVI in consideration of the allotment and issue by our Company of in aggregate 337,499,000 Shares to the Yestar BVI Shareholders credited as fully paid in such proportion that mirrored their then shareholding structure of Yestar BVI such that the shareholding structure of Yestar BVI was replicated at our Company level.

Particulars of the Reorganization are set out in the section headed "Further information about our Company — Corporate reorganization" in Appendix IV to this Prospectus.

OUR GROUP'S CORPORATE STRUCTURE

The following chart sets out the corporate and shareholding structure of our Group as at the Latest Practicable Date:



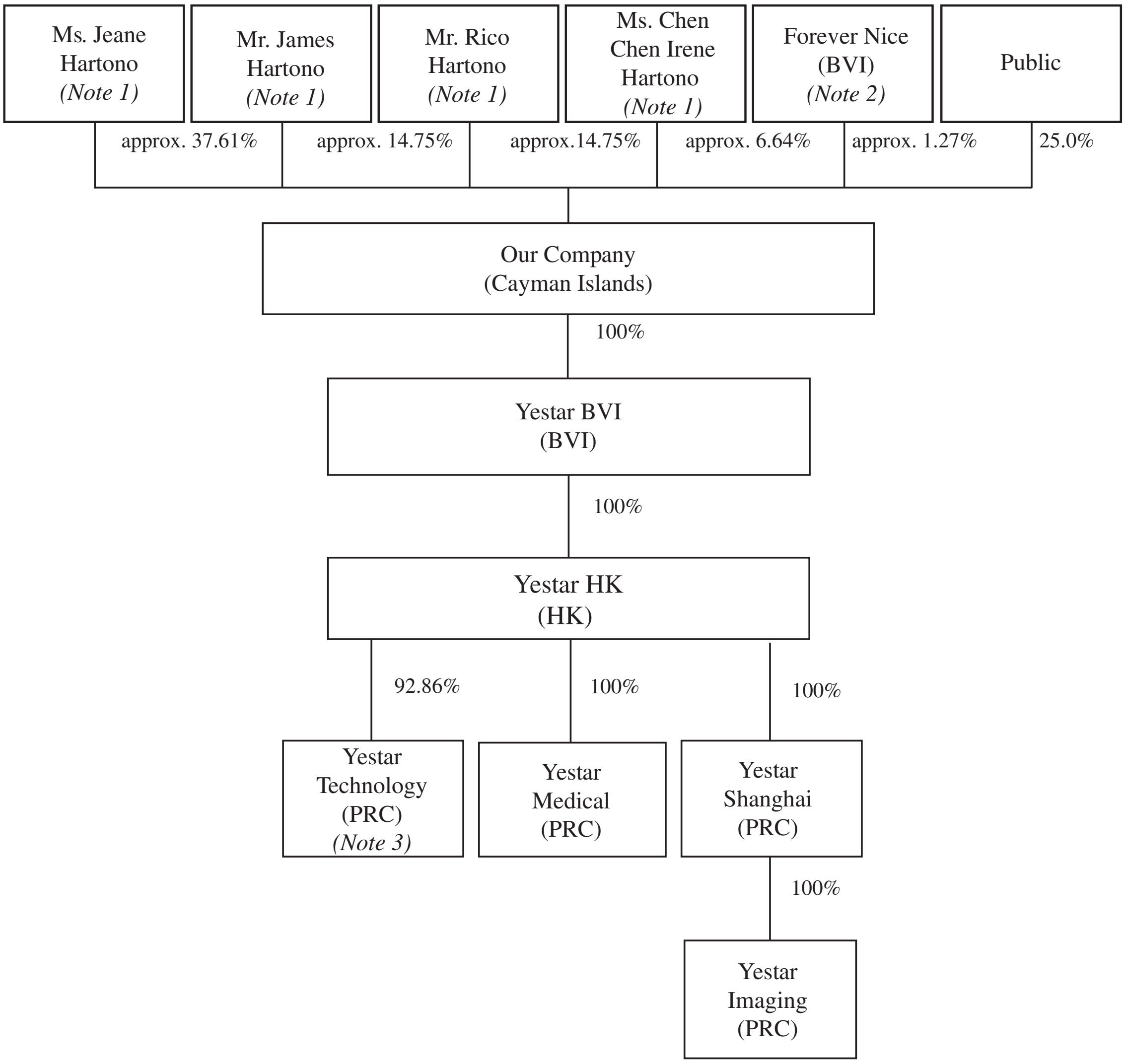
Notes:

1. Ms. Jeane Hartono, Mr. Rico Hartono and Ms. Chen Chen Irene Hartono are all siblings of Mr. James Hartono, our chairman, chief executive officer and one of our executive Directors.

2. Forever Nice is a company owned by Ms. Chen Hong, a director of Yestar Technology.

3. The minority shareholder holding 7.14% equity interest in Yestar Technology is Beijing Beichen, an Independent Third Party.

The following chart sets out the corporate and shareholding structure of our Group immediately following completion of the Offering (assuming that the Over-allotment Option is not exercised):



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2. Forever Nice is a company owned by Ms. Chen Hong, a director of Yestar Technology.

3. The minority shareholder holding 7.14% equity interest in Yestar Technology is Beijing Beichen, an Independent Third Party.

In respect of all the acquisitions and/or transfer of equity interests in Yestar Shanghai, Yestar Technology and Yestar Medical mentioned above, our PRC Legal Advisers have advised that all requisite approvals from PRC authorities have been obtained and the acquisitions and/or transfers comply with PRC laws and regulations.

SUMMARY

We are one of the leading providers of color photographic paper in the PRC and a provider of a broad range of imaging products in the PRC. We process color photographic paper, various image printing films and medical imaging films into ready-to-use form by cutting and slitting master rolls into customized sizes and packaging the products under precisely controlled processing conditions.

We are also the most important business partner of Fujifilm Group for color photographic paper and Fujifilm color films in the PRC. As an integrated distributor, we undertake the processing, sales and marketing of Fujifilm color photographic paper and Fujifilm color films in ready-to-use form in the PRC. We have been recognized by Fujifilm Group as the largest authorized distributor of Fujifilm color photographic paper and Fujifilm color films in the PRC since May 2007 and the largest authorized processor of Fujifilm color photographic paper and Fujifilm color films into ready-to-use form in the PRC since June 2009. Fujifilm Group has recognized that since May 2007, nearly all the Fujifilm color photographic paper and all the Fujifilm color films sold in ready-to-use form in the PRC have been distributed by us, and since June 2009, nearly all the Fujifilm color photographic paper and all the Fujifilm color films processed into ready-to-use form in the PRC has been processed by us and continued to be distributed by us. In June 2013, we were appointed as the sole and exclusive distributor of Fujifilm color photographic paper in the PRC. According to the Frost & Sullivan Report, Fujifilm color photographic paper had a market share (by revenue and volume, respectively) of about 33.0% and 32.8% in 2009, 34.3% and 34.0% in 2010, 35.1% and 34.6% in 2011 and 35.0% and 33.4% in 2012 in the PRC, representing the largest market share both in terms of revenue and volume in the PRC market during the respective periods. Based on the statistics in the Frost & Sullivan Report, the color photographic paper market in the PRC grew at a CAGR of about 11.7% by revenue and about 6.0% by volume from 2009 to 2012, while sales of Fujifilm color photographic paper in the PRC market grew at a CAGR of about 13.9% by revenue and about 6.6% by volume in the same period, thus exceeding the overall growth of the PRC color photographic paper market. We also distribute other photo-related products and document printing products of Fujifilm Group.

Having established a strong market position in the photo imaging market in the PRC, we diversified our product offering and tapped into the medical imaging industry by processing and selling Fujifilm medical dry film to Fujifilm Group in the PRC in 2010. According to the Frost & Sullivan Report, Fujifilm medical dry film had a market share (by revenue and volume, respectively) of about 12.7% and 12.3% in 2011 and 12.8% and 13.1% in 2012 in the PRC, representing the fourth largest market share in the PRC market. We also pride ourselves on our proven ability in product development. Leveraging on our capability to process and sell imaging products, we successfully applied the know-how for processing of dental film and industrial NDT x-ray film and started to sell them under our own Yes!Star brand in 2011. In 2012, we began to process Fujifilm PWB film and Fujifilm medical wet film and began to sell these products to Fujifilm Group in November 2012. We are recognized by Fujifilm Group as its largest authorized processor of Fujifilm PWB film, Fujifilm medical dry film and Fujifilm medical wet film into ready-to-use form in the PRC. We possess sophisticated processing capabilities and quality control, which help enhancing our cost control and bargaining power. During the Track Record Period, we also engaged in the sales of FMCG to take advantage of our extensive sales experience in the PRC. To focus on our core business lines, we effectively ceased to operate our FMCG business in December 2011.

The expansion of our product variety has broadened our revenue stream. Our revenue (excluding revenue attributable to our FMCG business) for FY2010, FY2011, FY2012 and the five months ended 31 May 2013 amounted to about RMB513.2 million, RMB909.0 million, RMB955.8 million and RMB414.0 million, respectively. Our profit (including net profit attributable to our FMCG business) for the same periods amounted to about RMB21.7 million, RMB48.3 million, RMB58.0 million and RMB20.1 million, respectively. We endeavor to add new products to our product portfolio.

During FY2010, FY2011, FY2012 and the five months ended 31 May 2013, our revenue for the image printing products segment (excluding revenue attributable to our FMCG business) accounted for approximately 91.0%, 62.0%, 69.2% and 57.9% of our total revenue, respectively. During FY2010, FY2011, FY2012 and the five months ended 31 May 2013, our revenue for the medical imaging products segment accounted for approximately 7.1%, 31.0%, 30.8% and 42.1% of our total revenue, respectively.

Our Directors believe that our successful sales and marketing and channel management strategies have helped Fujifilm color photographic paper to maintain a leading position in the PRC throughout the Track Record Period, as well as helped increasing our market share in the industrial NDT x-ray film market in the PRC rapidly. Other than PWB film, medical dry film and medical wet film which we sell to Fujifilm Group only, we closely monitor our market positioning for our products, and conduct detail market research and in-depth analysis on the quality, sales and price models of our competitors and the industry trends on demand, supply and price fluctuations with the aim to maximizing our profit as well as maintaining our competitiveness. Based on our analysis and industry knowledge of our management team, we derive customized sales channel management and marketing strategies for different industry segments and products with the aim to maximizing our market penetration and profit margin. We mainly sell color photographic paper, industrial NDT x-ray film and dental film to both wholesalers and end users. We closely monitor and adjust the proportion of our sales to wholesalers and end users strategically.

PRODUCTS

Our products are categorized into two segments, namely (1) image printing products and (2) medical imaging products. A summary of our main products during the Track Record Period is set out below:

Image printing products segment

Category	Description	Brands
Color photographic paper	• Sales and processing of Fujifilm minilab and professional color photographic paper	Fujifilm
Industrial imaging products	• Sales of Fujifilm industrial NDT x-ray film	Fujifilm
	• Sales and processing of Yes!Star industrial NDT x-ray film	Yes!Star
	• Sales and processing of Fujifilm PWB film	Fujifilm

Category	Description	Brands
Other image printing products	• Sales and/or processing of other photo-related products of Fujifilm Group (including sale and processing of color film, sales of photofinishing equipment and consumables, mini instant cameras and various photo imaging products)	Fujifilm
	• Sales of Fujifilm Group's document printing equipment and consumables	Fuji Xerox, Acuity
FMCG *(Note)*	• Sales of FMCG (effectively ceased in December 2011)	Astalift and other brands

Note: Since the revenue attributable to our FMCG business is not material and we are no longer engaged in such businesses, their revenue figures have been included in the image printing products segment for financial reporting purposes.

Medical imaging products segment

Category	Description	Brands
Medical imaging products	• Sales and processing of Fujifilm medical dry film	Fujifilm
	• Sales and processing of Fujifilm medical wet film	Fujifilm
	• Sales and processing of Yes!Star dental film	Yes!Star

During the Track Record Period, we converted master rolls of PWB film purchased from Fujifilm Group into specified sizes for sale to Fujifilm Group, and we converted master rolls of medical dry film and medical wet film purchased from a member of Fujifilm Group into specified sizes for sale to another member of Fujifilm Group. Our Directors represented that these transactions are not conducted on a back-to-back basis.

The table below sets forth the revenue by product types and percentage contribution of each product type to our total revenue during the Track Record Period:

	FY2010		FY2011		FY2012		Five months ended 31 May 2012		Five months ended 31 May 2013	
	Revenue	**% of total**	**Revenue**	**% of total**	**Revenue**	**% of total**	**Revenue**	**% of total**	**Revenue**	**% of total**
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Color photographic paper										
minilab	288,781	55.2	322,339	33.0	329,186	34.4	141,373	38.0	80,921	19.5
professional	150,067	28.7	204,608	20.9	270,285	28.3	107,805	29.0	100,879	24.4
Sub-total of color photographic paper	***438,848***	***83.9***	***526,947***	***53.9***	***599,471***	***62.7***	***249,178***	***67.0***	***181,800***	***43.9***
Medical imaging products	37,314	7.1	303,257	31.0	294,708	30.8	99,122	26.7	174,097	42.1
Industrial imaging products	—	—	34,758	3.6	36,407	3.8	13,049	3.5	49,730	12.0
Other image printing products *(Note 1)*	37,033	7.1	44,061	4.5	25,232	2.7	10,445	2.8	8,397	2.0
Total (excluding FMCG)	**513,195**	**98.1**	**909,023**	**93.0**	**955,818**	**100.0**	**371,794**	**100.0**	**414,024**	**100.0**
FMCG	9,982	1.9	68,075	7.0	—	—	—	—	—	—
Total	**523,177**	**100.0**	**977,098**	**100.0**	**955,818**	**100.0**	**371,794**	**100.0**	**414,024**	**100.0**

Note:

(1) Excluding the revenue from sales of color photographic paper master rolls to the Processing Group, our sales of other image printing products amounted to about RMB23.8 million, RMB22.5 million, RMB25.2 million and RMB8.4 million for FY2010, FY2011, FY2012 and the five months ended 31 May 2013, respectively.

The table below sets out our revenue attributable to sales of products to Fujifilm Group and other customers during the Track Record Period:

	FY2010 RMB'000		FY2011 RMB'000		FY2012 RMB'000		Five months ended 31 May 2012 RMB'000		Five months ended 31 May 2013 RMB'000	
	Fujifilm Group	*Other customers*	*Fujifilm Group*	*Other customers*	*Fujifilm Group*	*Other customers*	*Fujifilm Group*	*Other customers*	*Fujifilm Group*	*Other customers*
Color photographic paper										
Minilab	2,268	286,513	—	322,339	—	329,186	—	141,373	—	80,921
Professional	—	150,067	—	204,608	—	270,285	—	107,805	—	100,879
Sub-total of color photographic paper	***2,268***	***436,580***	***—***	***526,947***	***—***	***599,471***	***—***	***249,178***	***—***	***181,800***
Medical imaging products	37,314	—	302,877	380	293,171	1,537	98,489	633	172,944	1,153
Industrial imaging products	—	—	—	34,758	2,041	34,366	—	13,049	34,463	15,267
Other image printing products	12	37,021	—	44,061	4,885	20,347	1,336	9,109	326	8,071
Total (excluding FMCG)	**39,594**	**473,601**	**302,877**	**606,146**	**300,097**	**655,721**	**99,825**	**271,969**	**207,733**	**206,291**
FMCG	—	9,982	—	68,075	—	—	—	—	—	—
Total	**39,594**	**483,583**	**302,877**	**674,221**	**300,097**	**655,721**	**99,825**	**271,969**	**207,733**	**206,291**

Products during the Track Record Period

Fujifilm color photographic paper

We began to purchase color photographic paper and color film from Fujifilm Group in 2001. Since 2005, we have entered into master contracts with Fujifilm Group to process and sell Fujifilm color photographic paper in the PRC. In June 2013, we were appointed as the sole and exclusive distributor of Fujifilm color photographic paper in the PRC. We convert master rolls of color photographic paper purchased from Fujifilm Group into customized ready-to-use sizes and package them under the Fujifilm brand for sale in the PRC. During the Track Record Period, we sold (a) minilab color photographic paper to wholesalers and end users, namely, image printing shops and (b) professional color photographic paper to wholesalers and end users, namely, professional photo processing labs which develop photos for photo studios. To the best knowledge and belief of our Directors after making reasonable enquiries, our wholesalers mainly included companies engaged in trading of photo imaging and document printing equipment and consumables and light-sensitive material.

Yes!Star and Fujifilm industrial NDT x-ray film

Since x-ray can reveal interior defects, it is ideal for conducting non-destructive testing to check the structural integrity of various industrial products and structures, such as welding, boilers, pressure vessels and pressure pipelines. Industrial NDT x-ray films are widely used in aeronautics, automotive, electrical power generation, national defense weapons, pipe construction, ship manufacturing and steel manufacturing industries. We engaged in trial processing and sales of Yes!Star industrial NDT x-ray film in February 2011. Our R&D team, led by an experienced supervisor with experience in development of industrial NDT x-ray film, had devised and improved the processing process for our Yes!Star industrial NDT x-ray film. In October 2011, we commenced mass production. We convert master rolls of industrial NDT x-ray film into sheets of customized ready-to-use sizes, and sell them under our Yes!Star brand. Since October 2011, we have also obtained non-exclusive distributorship of Fujifilm industrial NDT x-ray film in the PRC and commenced sales in 2012. We sold industrial NDT x-ray film to wholesalers and end users in the PRC. To the best knowledge and belief of our Directors after making reasonable enquiries, our customers are mainly companies engaged in quality inspection of industrial goods, as well as the trading, installation and repair of the relevant quality inspection equipment. Some quality inspection companies purchase industrial NDT x-ray film from us for their own use as well as for distribution. By selling our products to these companies, we can leverage on their networks of industrial products manufacturers which engage them for equipment inspection. We target Yes!Star industrial NDT x-ray films at low to mid-end customers and sell it at lower price than Fujifilm industrial NDT x-ray film. We currently sell Fujifilm industrial NDT x-ray film to customers who require higher quality industrial NDT x-ray film.

Fujifilm PWB film

PWB film is a photo-tooling film for production of printed circuit boards for the electronic industry. Producers of electronics use PWB film to register the extremely fine conductive lines on printed circuit boards. PWB is used to mechanically support and electrically connect electronic components using conductive pathways, tracks or signal traces etched from copper sheets laminated onto a non-conductive substrate. PWBs are widely used in virtually all but the simplest commercially produced electronic devices. The vast majority of PWBs are made by bonding a layer of copper over the entire substrate, sometimes on both sides, then removing unwanted copper after applying a photomask, the layout design on which is transferred from the original PWB film, leaving only the desired copper traces. The degree of fineness and sharpness of PWBs is highly related to the image quality of PWB film and the trend of making PWBs smaller, lighter, and thinner results in demanding requirements on line sharpness and precise line width control of the image on PWB film. According to the Frost & Sullivan Report, due to the highly demanding requirement on the resolution and image quality on the pattern template, PWB film is still preferred to other forms of digital imaging output currently.

We slit master rolls of PWB film purchased from Fujifilm Group into specified sizes and package them under the Fujifilm brand for sale to Fujifilm Group. We commenced sales of PWB film in November 2012. As far as our Directors are aware, Fujifilm Group supplied the master rolls of PWB film to us for processing as it does not perform the aforementioned processing steps in the PRC. Our Directors considered that the arrangement provided us with a valuable opportunity to tap into the PWB film market and capitalise on the growing opportunities in the PRC. As far as our Directors are aware, our customer sold the PWB film purchased from us in the PRC. During the Track Record Period, we were not engaged in the distribution of such products in the PRC as we had not established the requisite sales network. We are not aware of any current plans of Fujifilm Group to change the mode of operation with us regarding PWB film, but we are open to contemplate other modes of cooperation, such as distributing Fujifilm PWB film in the PRC if we establish the requisite sales network.

Other image printing products of Fujifilm Group

We also sold other photo-related products of Fujifilm Group in the PRC during the Track Record Period, including Fujifilm color film, photofinishing equipment and consumables (such as photofinishing chemicals), mini instant cameras and related color film. We mainly sold these products to image printing shops and professional photo processing labs. We are also authorized by Fujifilm Group to process Fujifilm color film in the PRC. To focus our resources on core product lines, currently, we only process Fujifilm color films when demand has attained adequate level. During the Track Record Period, we also sold master rolls of Fujifilm color photographic paper to the Processing Group under our processing outsourcing arrangements.

We sold professional document printing equipment and consumables for professional print applications (such as advertisement materials) and photocopiers of Fujifilm Group under the Acuity and Fuji Xerox brands mainly to image printing shops.

The revenue attributable to other image printing products accounted for about 2.0% of our total revenue for the five months ended 31 May 2013.

Fujifilm medical dry film

Medical films can be used in diagnostic imaging from x-ray and other image modalities. Medical dry film is a type of medical film printed by imagers and does not require wet processing chemistry or darkroom environment. Since July 2010, we have been slitting master rolls of medical dry film purchased from a member of Fujifilm Group into sheets of various ready-to-use sizes and packaging them under the Fujifilm brand for sale to another member of Fujifilm Group. As far as our Directors are aware, Fujifilm Group supplied the master rolls of medical dry film to us for processing as they do not perform the aforementioned processing steps in the PRC. Our Directors considered that the arrangement provided us with a valuable opportunity to tap into the medical imaging market and capitalise on the growing opportunities in the PRC. As far as our Directors are aware, our customer sold the medical dry film purchased from us in the PRC. During the Track Record Period, we were not engaged in the distribution of such products in the PRC as we had not established the requisite sales network. We are not aware of any current plans of Fujifilm Group to change the mode of operation with us regarding medical dry film, but we are open to contemplate other modes of cooperation. As more particularly described in the section "Business - Business strategies - Expand our product offering and sales channels for medical imaging products" in this Prospectus, we plan to acquire the entire or majority interest in a medical device company. As our Directors believe that a medical device sales network may allow us access to customers of medical dry film, we may discuss with Fujifilm Group to distribute medical dry film in the PRC when we establish the requisite sales network.

Fujifilm medical wet film

Medical wet film is the traditional form of medical film used in diagnostic imaging that needs to be developed through wet processing in darkroom. We slit master rolls of medical wet film acquired from a member of Fujifilm Group into sheets of various ready-to-use sizes and package them under the Fujifilm brand for sale to another member of Fujifilm Group. We commenced sales of medical wet film in November 2012. As far as our Directors are aware, Fujifilm Group supplied the master rolls of medical wet film to us for processing as it does not perform the aforementioned processing steps in the PRC. As far as our Directors are aware, our customer sold the medical wet film purchased from us in the PRC. During the Track Record Period, we were not engaged in the distribution of such products in the PRC as we had not established the requisite sales network. We are not aware of any current plans of Fujifilm Group to change the mode of operation with us regarding medical wet film, but we are open to contemplate other modes of cooperation, such as distributing medical wet film in the PRC if we establish the requisite sales network. Although the outlook for medical wet film market in the PRC is not desirable, our Directors considered that the arrangement provided us with a new source of revenue and satisfactory gross profit margin. As our processing line for medical wet film can also be used for processing of medical dry film, our Directors consider that the arrangement can provide flexibility for us to adapt to the changes in demand for the two products.

Yes!Star dental film and related processing chemicals

Dental films are used for dental x-ray examination showing pictures of teeth, bones, and surrounding soft tissues to help identify problems with the teeth, mouth, and jaw. We commenced trial processing and sales of dental film under our Yes!Star brand in March 2011. We convert master rolls of dental film into sheets of customized ready-to-use sizes and package the sheets for sale to hospitals, clinics and wholesalers in the PRC. Leveraging on our R&D capabilities and experience in the dental film industry, we aim to continue to add new types of dental film in our product portfolio. During the Track Record Period, we also successfully developed the formula for a two-in-one developer-and-fixer working solution for dental films through cooperation with a retired teacher of Shanghai Jiao Tong University.

COMPETITIVE STRENGTHS

Our Directors consider that we possess the following competitive strengths.

Long-standing successful and stable strategic business relationship with Fujifilm Group

Our Group, our Controlling Shareholders or the family members of our Chairman have been conducting business with Fujifilm Group since 1971. Over the 42 years, such cooperation has included the processing and/or sales of photo imaging products (such as color photographic paper, color film and other photo-related products), document printing products and medical products (such as medical dry film and wet film) in Indonesia, Vietnam, India, Cambodia and the PRC.

We commenced purchase of photo imaging products from Fujifilm Group in 2001. Over the years, the quantity and variety of products of Fujifilm Group processed and/or sold by us have expanded significantly. The expansion of our product variety has broadened our revenue stream. We are currently the sole and exclusive distributor of Fujifilm color photographic paper in the PRC and we are recognised by Fujifilm Group as the largest authorised processor of Fujifilm color photographic paper, PWB film, medical dry film and medical wet film in the PRC. During the Track Record Period, Fujifilm color photographic paper and medical dry film was our largest and second largest revenue contributor, respectively. According to the Frost & Sullivan Report, Fujifilm color photographic paper had a market share (by revenue and volume) of about 34.3% and 34.0% in 2010, 35.1% and 34.6% in 2011 and 35.0% and 33.4% in 2012 in the PRC, representing the largest market share both in terms of revenue and volume in the PRC color photographic paper market during the respective periods. According to the Frost & Sullivan Report, Fujifilm medical dry film had a market share (by revenue and volume, respectively) of about 12.7% and 12.3% in 2011 and 12.8% and 13.1% in 2012 in the PRC, representing the fourth largest market share in the PRC market in the respective periods.

Fujifilm is an internationally renowned brand name. Fujifilm Holdings Corporation is listed on the Tokyo Stock Exchange, Osaka Securities Exchange and Nagoya Stock Exchange. According to the annual report of Fujifilm Holdings Corporation for the year ended 31 March 2013, Fujifilm Group provides a broad range of products across three core businesses, namely (i) imaging solutions which include imaging products, color and other films, and photofinishing equipments; (ii) information solutions which include medical system, industrial products and flat panel display material; and (iii) document solutions which include office products and office printers, digital-printing related products and services. According to the annual report of Fujifilm Holdings Corporation for the year ended 31 March 2013, the total assets and net assets of Fujifilm Group as at 31 March 2013 amounted to approximately JPY3,059.6 billion and JPY1,868.9 billion, respectively, and the gross profit and net income of Fujifilm Group for the year ended 31 March 2013 amounted to approximately JPY850.5 billion and JPY71.2 billion, respectively. It was also listed in the Fortune 500 index for 2012. Fujifilm Group is an Independent Third Party.

We believe that our long term cooperation with Fujifilm Group sets a cornerstone for further expansion of our product portfolio and capitalization on new opportunities in the PRC market.

Extensive sales and marketing network across the PRC and effective sales and marketing strategies in respect of some of our image printing products

We have an extensive sales and marketing network in the PRC in respect of some of our image printing products, comprising a mix of wholesalers and end users. Our Directors estimate that during FY2010, FY2011, FY2012 and the five months ended 31 May 2013, we sold color photographic paper, our largest revenue contributor, to about 60, 46, 48 and 24 wholesalers and 827, 667, 374 and 318 end users, respectively. As far as our Directors are aware, such wholesalers were located in over 20 provinces and municipalities in the PRC. From 2010 to 2012, our sales of color photographic paper increased at a CAGR of about 16.9% by revenue and a CAGR of about 9.0% by volume. As recognised by Fujifilm Group, it has solely relied on our sales network for distribution of Fujifilm color photographic paper since May 2007 and up to the Latest Practicable Date. Our Directors believe that our successful sales and marketing strategies and efforts have contributed to the growth of sales of Fujifilm color photographic paper and its leading market position in the PRC. Our Directors estimated that out of the above wholesaler and end user customers, about nil, ten, seven and six of our wholesaler customers in FY2010, FY2011, FY2012 and the five months ended 31 May 2013 were also regarded as end user customers by us during the relevant periods. As far as our Directors understand, such wholesalers of professional color photographic paper may also operate image printing shops, while wholesalers of minilab color photographic paper may also operate professional photo processing labs. Our Directors estimate that during FY2011, FY2012 and the five months ended 31 May 2013, we sold Yes!Star industrial NDT x-ray film to about 25, 43 and 37 wholesalers and 24, 30 and 18 end users, respectively. As far as our Directors understand, some of our customers during the Track Record Period may have common or related shareholders and management.

Other than PWB film which we sell to Fujifilm Group only, we closely monitor our market positioning for our image printing products, and conduct detail market research and in-depth analysis on the quality, sales and price models of our competitors, as well as industry trends on demand, supply and price fluctuations with the aim to maximizing our profit as well as maintaining our competitiveness. Based on our analysis and industry knowledge of our management team, we derive customized sales channel management and marketing strategies for different image printing products. Our extensive sales network and firm knowledge of market trends enable us to formulate and implement marketing plans effectively, launch new products and increase their market share expediently. We have leveraged on this strength to expand the variety and quantity of products distributed by us during the Track Record Period.

We also place great emphasis on customer service. Our technical expertise enables us to enhance customer service by providing technical training seminars, on-site training, and after-sales consultation, repair and maintenance services.

Experienced management team and a large talent reserve to support our expanding network and business

We have a strong senior management team with extensive experience and in-depth industry knowledge. Our Chairman, Mr. James Hartono, has over 12 years experience in the distribution of image printing products. Ms. Wang Ying, one of our executive Directors, is a committee member of Chinese Society for Imaging Science and Technology (中國感光學會). She has over 29 years of experience in the manufacturing and sales of imaging products. Our management team has employed in-depth industry knowledge and experience to successfully develop our business and help us adapt to market changes. In recent years, we transcended our conventional photo-related products business and tapped into the advanced photo printing, document printing, industrial NDT x-ray films, PWB films, medical dry films and medical wet films industries to capitalize on the opportunities in these industries.

We have implemented a management trainee scheme to recruit and develop talents. To nourish and retain valuable employees, we provide employees at various levels of our operations tailored training programs and a clear career path with opportunities for promotion.

Successful record of diversifying our product mix

We operate our R&D department at our Gaoxin Processing Plant as well as a technical services department in Shanghai. As at the Latest Practicable Date, our R&D team consisted of nine members, with three senior officers possessing 27 to 40 years of experience in the imaging industry. During the Track Record Period, our R&D team successfully applied the know-how for processing of industrial NDT x-ray film, dental film and developed the formula for a two-in-one developer-and-fixer working solution for dental films, with our internal R&D capability and cooperation with a retired teacher of Shanghai Jiao Tong University. Our R&D team also took part in designing customized processing equipment for our Group.

We believe that our technical expertise and R&D capability will continue to help us add new products to our product portfolio and diversify our source of revenue.

High quality and cost-effective processing platform

We process color photographic paper, various image printing films and medical imaging films by cutting and slitting master rolls into customized sizes and packaging the products under precisely controlled processing conditions. Our Directors consider that we differentiate ourselves from other distributors of image printing and medical imaging products by our sophisticated and cost-effective processing capabilities, which help enhance our bargaining power. Our processing capacity gives us greater quality control and flexibility in meeting market demands as we can produce color photographic paper and films of various sizes.

Our advanced processing technology has enabled us to meet stringent quality requirement of Fujifilm Group for years. We maintain close cooperation with Fujifilm Group to uphold processing quality. Fujifilm Group has also appointed technicians to provide on-site guidance at our processing bases. We also engaged experienced Japanese technical consultants on quality guidance, equipment modification, processing environment and staff training.

Yestar Medical obtained GB/T 19001-2008 idt ISO 9001:2008 Certificate and YY/T 0287-2003 idt ISO 13485:2003 Certificate in April 2011 for the design, development, production and service of Fuji Medical Dry Film. In October 2012, the management systems of Yestar Medical were accredited for meeting the requirements of ISO 13485:2003 EN ISO 13485:2012 for the manufacture of Dental X-ray Film, as well as for meeting the requirements of Directive 93/42/EEC on medical devices, Annex V for Dental X-ray Film. In December 2012, Yestar Shanghai obtained ISO 9001:2008 Certificate for quality management system.

BUSINESS STRATEGIES

Enhance marketing efforts and expand our sales network for image printing products

We adopt customized sales channel management and sales and marketing strategies for different products.

Photo-related products and document-printing related products

We aim to continually invest in recruiting and nurturing sales personnel to further their knowledge of the features, processing methods and various aspects of our products. We believe that a high-caliber industry-focused sales force will allow us to provide better technical training and after-sales service to end users, thereby enhance customer satisfaction and brand image. We will also continue to advertise on industry magazines and websites to promote brand awareness.

In light of the large demand for printing services from academic staff and students, we plan to build on our experience to establish a network of integrated print centers under our own brand in or near campuses of universities, where we plan to provide diverse document services to fulfill the needs of teaching staff and students for academic and student activities, such as photocopying, document formatting (e.g. thesis and CVs) and document printing and making posters and banners. We also plan to provide photo developing services and sell personalized photo gifts such as cups, T-shirts, photobook and other items printed with photos chosen by customers. Based on our current plans, our integrated print centers will have a uniform image featuring comfortable and relaxing environment, innovative and integrated services, and professional and high quality customer service. As our Directors believe that a strong brand name can strengthen the competitiveness of our products as well as cultivate consumer loyalty, we plan to enhance retail recognition of our brand through promotion. By supporting charitable activities organized by universities to demonstrate our commitment to social responsibility, we believe this expansion strategy will also bolster our corporate image. We believe that the establishment of a network of integrated print centers under our own brand will diversify our brand portfolio, source of raw material and customer network. In preparation of our expansion plan, we studied the number of universities in Beijing, Shanghai and Guangzhou, conducted interviews with students near selected university campuses to gauge their demand and conducted site visits at certain photofinishing and document printing shops near selected university campuses to project the product/service prices and business volume for our integrated print centers. Based on our investigations, research of publicly available information, industry knowledge and experience from the operation of an integrated print center under our Imagenation brand in a commercial district in Shanghai, we estimated the profit that may arise from our chain of integrated print centers, the relevant equipment costs, as well as other fundamental start-up costs and operation costs, such as rental and labour costs. Our Directors believe that our industry experience, our knowledge of photofinishing and document printing products, equipment and trends, coupled with our businesses of processing and sale of color photographic paper and distribution of other photo-related and document printing equipment and consumables, will provide us with competitive advantages in operating the chain of integrated print centers in the PRC. As advised by our PRC Legal Advisers, under relevant PRC laws and regulations, the copyright owners are entitled to, and to authorize other parties to, publish, copy and distribute their intellectual works, including publications, books and documents, that are subject to protection of copyrights under PRC laws and regulations. Without the permission of copyright owners, other parties shall not publish, copy or distribute the copyright owners' intellectual works (including publications, books and documents) that are subject to protection of copyrights under PRC laws and regulations works, except subject to certain restrictions of copyrights provided by PRC laws and regulations. Under PRC laws, a piece of work can be used without permission of and without payment of remuneration to the copyright owner if subject to certain restrictions of copyrights, including, without limitation, (i) use of a published work for the purpose of individual study, research or enjoyment, and (ii) translation, or reproduction of a small number of copies of a published work where such translation or reproduction is made for the purpose of classroom teaching or scientific research and is to be used by teachers or scientific researchers, provided that such translation or reproduction is not published and distributed. Accordingly, although we are prohibited from publishing unpublished works and distributing copyright owners' works without prior permissions of copyright owners, we can provide photocopying services to academic staff, students and other parties within the circumstances set out above at our integrated print centers. Nonetheless, pursuant to the relevant PRC laws, when we provide photocopying services to customers, we do not have any obligations to examine whether the customers who request us to provide photocopying services use the copyright owners' work in compliance with the relevant PRC laws. Therefore, as long as we do not positively act as accomplice to any customers who use the copyright owners' work in violation of the PRC laws, we are entitled to provide photocopying services to any customers in accordance with the PRC laws, without bringing any negative impact or legal consequence to us. Subject to market conditions, we currently plan to establish two integrated print centers in the first year after Listing, seven new integrated print centers in the second year after Listing and 13 new integrated print centers in the third year after Listing. We currently plan to establish the integrated print centers in or near university campuses in major cities in the PRC, starting with Beijing and Shanghai, then expanding into Guangzhou. Taking into account the cost of equipment and other start-up cost, we currently expect that the cost of establishment of an integrated print center would be approximately RMB900,000 subject to inflation. Currently, we intend to use about 35% of the net proceeds from our Global Offering for the purchase of equipment and start-up cost for establishment of the integrated print centers, which are expected to be incurred in the course of the setting up of our new integrated print centers. Please also refer to the section headed "Future plans and use of proceeds — Use of proceeds" in this Prospectus for information.

Industrial NDT x-ray film

According to the Frost & Sullivan Report, the market size of industrial NDT x-ray film in China is expected to grow from about RMB631.1 million in 2012 to about RMB1,080.5 million in 2017, and the consumption of NDT x-ray film in China is expected to grow from about 3.0 million sq.m. in 2012 to about 4.5 million sq.m. in 2017. Since we launched Yes!Star industrial NDT x-ray film in 2011, we rapidly gained a market share of about 5.4% in the industrial NDT x-ray film market in the PRC in 2012 by revenue. We also commenced distribution of Fujifilm industrial NDT x-ray film in 2012. We aim to leverage on our experience to process and sell a wider portfolio of industrial NDT x-ray film. We currently aim to increase our sales of industrial NDT x-ray film in a stable and progressive manner with reference to historical results and we currently expect that sales of industrial NDT x-ray film would remain to contribute an insignificant portion of our total revenue. We plan to cooperate with more wholesalers outside Shanghai to leverage on their local expertise and sales network to expedite the market penetration of Yes!Star and Fujifilm industrial NDT x-ray film. In addition, we aim to take part in bids organized by large corporations and establish a technical support team to promote industrial NDT x-ray film to large corporations. We believe that an industry-focused sales force with in-depth product knowledge, led by high-caliber individuals, will allow us to provide stronger technical support to customers, thereby bolster customer satisfaction and brand image. We also plan to enhance the promotion of our products through exhibitions organized by industry associations, industry magazines and websites.

Expand our product offering and sales channels for medical imaging products

According to the Frost & Sullivan Report, during the past few years, the total healthcare expenditure in China has increased at a fast growth rate driven by various factors, including growing and aging population, economic growth, healthcare infrastructure improvement, expansion of medical insurance coverage and rising health awareness. According to the Frost & Sullivan Report, the 12th Five Year Plan (2011-2015) promulgated by the Chinese government reinforces the objective of developing an affordable and accessible healthcare system and infrastructure for the entire population and aim to improve capabilities of hospitals. According to the Frost & Sullivan Report, the PRC government attaches great importance on the development of the Chinese medical device industry, especially on the construction and upgrade of primary healthcare institution. According to the Frost & Sullivan Report, the investment in purchases of medical device during the 12th Five Year Plan is expected to exceed the number in the 11th Five Year Plan. According to the Frost & Sullivan Report, the x-ray device market in the PRC reached about RMB7.0 billion in terms of revenue and about 14,227 units in 2012. According to the Frost & Sullivan Report, it is estimated that in 2017, the revenue of the x-ray device market in the PRC will be increased to about RMB12.0 billion, with a CAGR of about 11.3% from 2011 to 2016, while the volume will reach about 22,601 units, with a CAGR of about 9.7% from 2011 to 2016.

To capitalize on the high growth potential and high profit margin in the medical imaging sector, we plan to diversify our product offering and develop new sales channels for medical imaging products by (i) acquiring the entire or majority interest in a medical device company possessing a national sales network, manufacturing capabilities and requisite licenses for engaging in the medical x-ray device business in the PRC within one to two years after our Global Offering; (ii) furthering our cooperation with Fujifilm Group on the manufacturing of medical film; (iii) enhancing the sales of dental film, expanding our portfolio of dental film and ancillary solvents, as well as developing automated developing equipment for dental film.

Acquisition of interest in medical device company

We aim to acquire the entire or majority interest in a medical device company specialising in medical imaging device of a meaningful size to tap into the medical device market in the PRC expediently and save time and cost from constructing basic production facilities, as well as leverage on the sales network and expertise of the production, R&D and sales personnel of the target company. By retaining the existing production, R&D and sales personnel of the target company, we can leverage on the expertise of the professional staff of the target company to continue to operate their business, their production facilities and sales network and fully utilise the target company's resources. Our Directors are confident that our administrative and management personnel will be able to integrate the operations of the medical device company with our existing operations and provide support in terms of, amongst others, finance, human resources management, business development and logistics.

During the Track Record Period, we successfully broadened our revenue stream from the image printing segment to the medical imaging segment by the processing of medical film and sale and processing of dental film. Our Directors believe that our management experience and successful record of diversifying into new business segments will facilitate us in tapping into the medical device business.

Since early 2012, we have conducted extensive preparation for this expansion plan. As part of our preparation, we established an internal committee led by our Chairman to conduct extensive research and analysis on the medical x-ray device industry in the PRC as well as relevant market players. In addition to our in-house research on publicly available information and participation in the China International Medicinal Equipment Fair, we also commissioned Frost & Sullivan, to conduct an in-depth analysis on the medical x-ray device industry in the PRC to study its market trends, supply and demand dynamics, price trends, competitive landscape, market fragmentation, ranking of leading market players, barriers to entry, prospects, drivers and restraints. According to the Frost & Sullivan Report, the x-ray device market is highly fragmented by revenue. International giants in healthcare field such as Carestream, Philips, Siemens, and GE dominate the market with a total market share of around 60% by revenue. However, in terms of volume, international brands accounted for less than 40% of the market share due to the more competitive prices of local brands.

We engaged in direct consultations with an investment adviser of the China Association for Medical Devices Industry (an industry expert) and other industry players to seek their views on the medical x-ray device market in the PRC and their guidance and assistance in identifying and liaising with suitable acquisition targets. We obtained guidance and support from an industry adviser in identifying and liaising with suitable acquisition targets. Such industry adviser has expressed an intention to assist us with the acquisition (as an external adviser) by providing professional consultancy services, including helping with liaison and negotiation with the management and shareholders of the target company and relevant government authorities, collating information on the target company (such as its qualifications, technology, market share and market competition) and conducting business due diligence on potential acquisition targets. We will further discuss the potential engagement with the industry adviser as the acquisition project proceeds. Our Directors believe that assistance from such industry adviser will provide valuable contribution in identifying suitable acquisition targets and successfully negotiating the acquisition.

Based on advice we obtained, our in-house research and site visits, we obtained preliminary understanding of, amongst others, the product portfolio, sales network, R&D capability, production capacity, manpower, profitability, size of operations, competitive strengths, reputation and/or history of certain potential acquisition targets. In assessing acquisition opportunities, we will carefully consider a variety of criteria, including whether the target company has an extensive sales network in the PRC which allows us access to the medical device market in first and second tier cities in the PRC, satisfactory manufacturing capacity and R&D capabilities, sizeable operation, professional expertise in medical device, diverse product portfolio and good reputation to help us establish our presence in the PRC medical device market. According to the Frost & Sullivan Report, as the customers of CR, DR and medical dry film belong to the same group, strong sales of CR and DR can usually drive the sales of medical dry film. Our Directors consider that a medical device sales network may also allow us access to customers of medical dry film, thereby creating synergy for our medical dry film business if we sell such products to other customers in the future. We believe that the medical device business will diversify our product and brand portfolio, source of raw material and customer network.

We also engaged a professional with extensive experience in the medical device industry to lead our medical device project team in conducting research and analysis on current status and developments regarding production, sales, management and R&D of medical device in the PRC and overseas markets; advise and assist the Board in formulating the strategy for the medical device project; evaluate and investigate potential acquisition targets; and provide guidance and training in relation to our medical device project. Our project leader had over 28 years of experience in manufacturing and sales of medical imaging equipment and related products. He held management positions in medical device companies for over 18 years, during which he was responsible for, amongst others, managing the manufacturing and sales of digital medical x-ray diagnostic device. In 1997, he was accredited as a senior engineer by the Professional Position Qualification Vetting Committee of his then employer, the accreditation of which was endorsed by the Chinese Academy of Sciences (中國科學院). In 2000, he received an award from Shanghai Municipal Commission Of Economy (上海市經濟委員會) for being the main contributor to the completion of a digital medical x-ray diagnostic device.

In 2013, our internal committee was elevated to a project committee with the addition of members from our production, human resources, legal and finance teams to bolster our preparation for the acquisition. We will also consider to engage relevant professional advisers to assist in conducting due diligence on potential acquisition targets. We will also consider to hire more experienced individuals to help manage the medical device business as the Group proceeds with the acquisition project.

Whilst we have identified certain potential acquisition targets and had preliminary discussions with their representatives to explore the possibility of acquisitions, we have not engaged in advanced negotiation with them nor entered into any binding agreement with them. Currently, we estimate the purchase price to be around RMB150.0 million to RMB200.0 million, which we currently intend to settle partly by applying about 30% of the net proceeds from our Global Offering, and partly by internal resources, fund raising activities in the equity market after Listing and/or bank borrowings. Please also refer to the section headed "Future plans and use of proceeds — Use of proceeds" in this Prospectus for information.

Furthering our cooperation with Fujifilm Group in the processing of medical film

Yestar Medical entered into a non-legally-binding memorandum of understanding with a member of Fujifilm Group for furthering our cooperation on the processing of medical film, pursuant to which the member of Fujifilm Group may provide the relevant processing technology and raw material, while Yestar Medical may provide, amongst others, processing facilities and processing personnel. After the member of Fujifilm Group invests in Yestar Medical, it may, at its discretion, supply some of its products, experience and know-how to Yestar Medical. Whilst we have not entered into any binding agreement with Fujifilm Group in respect of the project and investment by Fujifilm Group, we aim to leverage on our cooperation with Fujifilm Group to diversify the range of medical products which we process and/or distribute.

Expand our portfolio of dental film and related products

Since 2011, we began to sell dental film to customers in the PRC, including Fujifilm Group. We have not entered into any master contract for sales of dental film to Fujifilm Group. Since we launched Yes!Star dental film in 2011, we rapidly became the fifth largest player in the PRC market in 2012, with a market share of about 2.5% by revenue and 4.2% by volume. We currently aim to increase our sales of dental x-ray film in a stable and progressive manner with reference to historical results and we currently expect that sales of dental film would remain to contribute an insignificant portion of our total revenue. We plan to enhance sales of our dental film by increasing sales to wholesalers to leverage on their local expertise and sales network to expedite our market penetration. We also plan to enhance direct sales to public hospitals, which consumption rate are generally higher than small-scale private clinics. In addition, we plan to promote our products at exhibitions organized by national and regional industry associations. Leveraging on our R&D capabilities and experience in the dental film industry, we aim to continue to add new types of dental film in our product portfolio. In FY2011, FY2012 and the five months ended 31 May 2013, our gross profit margin for sales of dental film was about 37.1%, 38.5% and 31.3%, respectively. Our Directors believe that building a more comprehensive portfolio of dental film can cater the needs of different customers and expand our target customer groups, thereby increase our sales and enhance our brand influence in the PRC market. Our Directors consider that the resulting increase in production will also improve the utilization of our processing platform and internal resources, thus enabling us to enjoy greater economy of scale.

We also plan to improve and diversify our portfolio of ancillary solvents for dental film and develop automated developing equipment for dental film. We believe that these two product lines will diversify our product portfolio, source of raw material and source of revenue. Please refer to the paragraphs headed "Business strategies — Further enhance our R&D capability" in this section for further information.

Expansion of processing capacities

We process color photographic paper, various image printing films and medical imaging films by cutting and slitting master rolls into customized sizes and packaging the products under precisely controlled processing conditions. We plan to expand our processing capacities to cope with the anticipated increase in demand and enjoy greater economy of scale.

Our processing capacity for color photographic paper reached about 84.9% and 58.5% in FY2012 and the five months ended 31 May 2013, respectively, based on our internal processing records and analysis as further explained in the paragraphs headed "Processing — Designated processing capacity, processing volume and utilization rate for our major products" in this section. The decrease in our utilization rate from FY2012 to the five months ended 31 May 2013 was primarily due to increase in the number of our processing lines during the end of FY2012 and relatively low sales volume during the five months ended 31 May 2013. As we anticipate that overall demand for color photographic paper will increase, we are in the process of expanding our processing capacity for color photographic paper. In around October 2012, we completed trial processing at a new processing line for color photographic paper at our Gaoxin Processing Plant. In around October 2012, we also commenced operation of a new processing line for medical wet film at our Gaoxin Processing Plant. Based on our current analysis, the processing line is also capable of processing medical dry film by calibration.

We commenced construction of an addition processing plant, the Jinkai Processing Plant, in March 2012. In around October 2012, we completed part of the first phase construction and began to process PWB film at the Jinkai Processing Plant. Currently, we plan to install an additional processing line for color photographic paper at the Jinkai Processing Plant, which is currently expected to commence processing in around December 2013. Based on our internal estimation, we currently expect that the new processing line will increase our designated annual processing capacity for color photographic paper by about 12 million sq.m. after it is put into full operation. We plan to relocate some of our existing processing facilities at Gaoxin Processing Plant to Jinkai Processing Plant upon completion of the first phase construction in around December 2013 subject to obtaining requisite government approvals.

Based on our current estimation, we expect to incur an aggregate amount of about RMB144.7 million for construction of the Jinkai Processing Plant, installation of new PWB processing line in 2012, installation of new color photographic paper processing line in 2013 and relocation of our processing lines. Based on our unaudited management accounts, our Directors estimated that as at 31 August 2013, about RMB36.1 million of construction costs and cost of installation of new PWB processing line in 2012 had been settled. We currently expect to settle the remaining amount of about RMB57.1 million for the first phase construction in 2013 and early 2014. We currently expect to incur around RMB51.5 million for construction of the second phase construction, which is currently expected to be completed in 2014 subject to obtaining requisite government approvals. The payment schedule for the second phase construction will depend on our negotiation with contractors and construction progress. Currently, we intend to settle the remaining amount partly by internal resources and partly by applying about 15% of the net proceeds from our Global Offering. Please also refer to the section headed "Future plans and use of proceeds — Use of proceeds" of this Prospectus for information.

Further enhance our R&D capability

We plan to enhance our R&D capability partly by leveraging on our strategic cooperation with Fujifilm Group. We plan to continue to invite technicians from Fujifilm Group to provide guidance to us. We also plan to enhance cooperation with scientific research institutions universities to share scientific resources platforms, develop new products, adjust our product mix and tap into new markets. In addition, we plan to strengthen our R&D team by recruiting and nurturing technical personnel jointly with tertiary institutions and scientific research institutions. We will also look out for mergers with enterprises with strong R&D capability and sophisticated R&D staff.

During the Track Record Period, our R&D team successfully applied the know-how for processing of industrial NDT x-ray film, dental film and developed the formula for a two-in-one developer-and-fixer working solution for dental films with our internal R&D capability and cooperation with a retired teacher of Shanghai Jiao Tong University. We plan to expand our portfolio of dental film through tests and experiments, improve and diversify our portfolio of ancillary solvents for dental film with different chemical components and develop automated developing equipment for dental film with programmable logic controller technology and special anti-corrosion technology to achieve good developing effect. The R&D development process is currently expected to involve ascertaining new product standards, specifications and production know-how, conducting professional tests, marketing and collaborating with relevant parties and experts in the industry if necessary. The processing know-how for our new products during the Track Record Period were to some extent built upon the processing know-how for our existing products. We expect that the amounts allocated to R&D after listing will be higher as two of our future R&D focuses, namely, ancillary solvents for dental film (in which we were only engaged in sale and production in small quantities during the Track Record Period) and automated developing equipment for dental film, will be different from our established product portfolio. As a result, we expect that the costs of development, in particular, consultation fees, remuneration for a greater number professional R&D staff with relevant expertise and market research and promotion expenses would be higher, especially during the early stage of development.

Currently, we intend to invest about 10% of the net proceeds from our Global Offering on the aforementioned R&D activities starting from the second half of 2013, including engaging more professional R&D staff and technical consultants, purchasing raw material for development new products and collaborating with relevant parties and experts in the industry if necessary.

A breakdown of the allocation of our net proceeds for R&D activities based on our current estimation is set out below:

Item	**Percentage**
Consultation fees	26%
Professional R&D staff remuneration	16%
Other R&D staff remuneration	5%
Raw material costs	26%
Processing expenses	7%
Experiment expenses	7%
Market research and promotion expenses	13%
Total	**100%**

Based on our estimation, we currently intend to allocate about 29%, 13% and 58% of our net proceeds for R&D activities to expanding our portfolio of dental film, improving and diversifying our portfolio of ancillary solvents for dental film and developing automated developing equipment for dental film, respectively. Our Directors believe that the production and sales of these products will enable us to capitalize on the opportunities in the PRC for these products and diversify our source of revenue.

Please also refer to the section headed “Future plans and use of proceeds - Use of proceeds” of this Prospectus for information.

COOPERATION WITH FUJIFILM GROUP IN RESPECT OF SOME OF OUR PRODUCTS

We are authorized by Fujifilm Group to process, sell and market various Fujifilm Group products and to use and sublicense the use of the FUJIFILM logo for photo finishing business in the PRC. In addition, since we entered into our first master contracts with Fujifilm Group for the purchase of master rolls of color photographic paper and/or color film and the processing and sales of color photographic paper and/or color film in the PRC; the purchase of master rolls of PWB film, medical dry film and medical wet film; the sales of PWB film, medical dry film and medical wet film to Fujifilm Group; and the purchase of Fujifilm industrial NDT x-ray film and various photo imaging products of Fujifilm Group for distribution in the PRC respectively, we have successfully extended or entered into new master contracts with Fujifilm Group for such products (with changes in product mix in respect of our master contracts for purchase of various photo imaging products), as more particularly described in the tables and notes below. In June 2013, we were also appointed as the sole and exclusive distributor of Fujifilm color photographic paper in the PRC pursuant to two exclusive distributorship contracts. A summary of some of our master contracts with Fujifilm Group which were in effect as at the Latest Practicable Date is set out below:

Product	Subject matter	Term of contract	Defects and liabilities	Unilateral Termination
Fujifilm color photographic paper and color film	Purchase of master rolls of color film and color photographic paper from Fujifilm Group pursuant to the converting agreement dated 1 January 2012 between Fujifilm Corporation and Yestar Technology (the Converting Agreement). Yestar Technology shall convert the bulk rolls into customized sizes with specified trademarks of Fujifilm Corporation affixed thereto for sale to wholesalers in China. Fujifilm Corporation may have its subsidiary, Fujifilm China Investment, sell bulk rolls to Yestar Technology in accordance with the terms of the Converting Agreement. The purchase price, payment conditions and other conditions for each order shall be separately agreed by Fujifilm China Investment and Yestar Technology.	1 January 2012 to 31 March 2015 and, unless either party notified the other of its intention not to renew the Converting Agreement in writing at least three months before the expiration of the initial term or any renewed term, may be automatically renewed for further period of two years each on the same terms and conditions as set out in the Converting Agreement.[1] The Converting Agreement does not contain any provision allowing a party to early terminate without cause by giving a specified period of notice.	Fujifilm Corporation shall not give any guarantee for the bulk rolls except that such bulk rolls conform with Fujifilm Corporation's own quality standard. In the event that the bulk rolls are determined by the parties partially to have any defect attributable to Fujifilm Corporation and caused before shipment, Fujifilm Corporation shall make a refund for the relevant disused area, provided that we make our claims within prescribed periods. We shall indemnify Fujifilm Corporation from all lawsuits, claims, damages, etc arising from any claim of any third party with respect to our products and conversion operation.	(i) If either party breaches any of the provisions of the Converting Agreement, the other party may give the defaulting party a written notice specifying the nature of such breach. If the defaulting party fails to remedy such breach within ninety (90) days from the date of its receipt of such written notice, the non-defaulting party may terminate the Converting Agreement immediately by giving the defaulting party a written notice of termination. Such termination shall in no way prejudice the terminating party's right to make a claim for damages against the defaulting party. (ii) If either party goes into bankruptcy or insolvency, if either party makes an assignment for the benefit of its creditors, if a petition is filed against either party under bankruptcy law, corporate reorganization law, or any other law for relief of debtors (or similar law analogous in purpose or effect), if either party enters into dissolution proceedings, or if either party fails to pay or admits its inability to pay any of its debts on its due date, the other party may immediately terminate the Converting Agreement upon written notice to such party.

Product	Subject matter	Term of contract	Defects and liabilities	Unilateral Termination
				(iii) If there arises any substantial change in management control or ownership of Yestar Technology, Yestar Technology shall promptly notify Fujifilm Corporation thereof in writing. In such case, if Fujifilm Corporation finds such change to be disadvantageous or inconvenient to Fujifilm Corporation, Fujifilm Corporation may, at its sole discretion, immediately terminate the Converting Agreement by giving a written notice to Yestar Technology within two months from the date on which Fujifilm Corporation receives from Yestar Technology the above notification of such change. (iv) If it is deemed, as a result of acts or omissions of any governmental authority or any rules, regulations or orders of any governmental authority, that the continuation of the Converting Agreement would be impractical or bring adverse and serious effects to either party in a business sense, that party may terminate the Converting Agreement upon written notice to the other party.

Product	Subject matter	Term of contract	Defects and liabilities	Unilateral Termination
Fujifilm color photographic paper master rolls	Purchase of color photographic paper master rolls as raw material for the processing of color photographic paper pursuant to (i) the Yestar Technology CLP MR Purchase Contract, as amended by the Yestar Technology CLP Exclusive Distributorship Contract[3] and (ii) the Yestar Imaging CLP MR Purchase Contract, as amended by the Yestar Imaging CLP Exclusive Distributorship Contract[3].	1 April 2012 to 31 March 2015 and, unless either party notified the other party of its intention not to renew the CLP MR Purchase Contract within two months prior to the expiry of the initial term or any renewed term, may be automatically renewed for further periods of two years each, based on the same terms and conditions as before.[2] Each CLP MR Purchase Contract may be terminated by agreement between the relevant parties.[3]	The master rolls will be deemed to have fulfilled the relevant requirements for exterior packaging unless we object within prescribed periods.	(1) Fujifilm China Investment is entitled to terminate the contract by written notice without bearing any liability for breach of contract if any of the following events occur[3]: (i) Our contracting Group member fails to remedy a breach of contract in relation to payment within seven working days after Fujifilm China Investment gives written notice; (ii) The sales and purchase of the goods of Fujifilm China Investment by our contracting Group member has substantially damaged the reputation of Fujifilm China Investment or its parent company; (iii) Our contracting Group member fails to remedy any other breach of contract within 15 working days since Fujifilm China Investment gives written notice.
Distribution of Fujifilm color photographic paper	Sole and exclusive distribution of color photographic paper in the PRC pursuant to the CLP Exclusive Distributorship Contracts, details of which are further set out in the paragraphs headed "Business — Cooperation with Fujifilm Group in respect of some of our products — Exclusive distributorship contracts for color photographic paper"	10 June 2013 to such date as the relevant CLP MR Purchase Contract expires, and will be extended for such term as the relevant CLP MR Purchase Contract is extended	N/A	N/A

Product	Subject matter	Term of contract	Defects and liabilities	Unilateral Termination
Distribution of Fujifilm industrial NDT x-ray film	Purchase of Fujifilm industrial NDT x-ray film for our non-exclusive distribution in China pursuant to a contract dated 1 April 2013 between Fujifilm China Investment and Yestar Shanghai	1 April 2013 to 31 March 2014 and, unless either party requests in writing otherwise within one month before the expiration of the contract, may be automatically extended for one year based on the same terms and conditions as before.[4] Either party can terminate the contract by a written notice to the other party one month in advance, without bearing any liabilities of breaching the contract.	Within a prescribed period after delivery, if defects attributable to Fujifilm China Investment are found, Fujifilm China Investment may at its discretion repair the defect or provide substitutes or other remedies. Unless Fujifilm China Investment commits a material fault or intentional act, Fujifilm China Investment's liabilities for our losses caused by defects in their products shall be limited to the total price under the relevant purchase orders. After-sales service for the goods shall be borne by Yestar Shanghai and Fujifilm China Investment together. The parties shall discuss how to deal with claims raised by third parties and Yestar Shanghai shall not make any legally binding undertaking prior to discussion with Fujifilm China Investment.	(1) Either party who intends to terminate the contract shall notify the other party one month in advance in written; (2) Fujifilm China Investment is entitled to terminate the contract by written notice if any of the following events occur, and such termination shall not affect Fujifilm China Investment's right to claim damages: (i) Our contracting Group member fails to remedy a breach of contract within a prescribed period since Fujifilm China Investment gives notice; (ii) Our contracting Group member has materially and substantially breached the contract, where such breach is incapable of being remedied or Fujifilm China Investment considers it incapable of being remedied; (iii) Our contracting Group member is in process of property preservation, in custody, in disposal, auction or any other compulsive measures; (iv) Our contracting Group member is in process of bankruptcy, reorganization, dissolution etc; (v) The bill of exchange issued by our contracting Group member is declined; (vi) Any other material changes of our contracting Group member's credit, assets, business etc which Fujifilm China Investment considers will affect their interest.

Product	Subject matter	Term of contract	Defects and liabilities	Unilateral Termination
Distribution of various photo imaging products of Fujifilm Group	Purchase of various photo imaging products for sale in the PRC, including Frontier equipment, accessories for provision of Frontier after-sales services, instant photo imaging products, photofinishing chemicals, color photographic paper, thermal photo printers and consumables, photo album binding machine, and other products as may be agreed between the parties pursuant to an agreement between Yestar Shanghai and Fujifilm China Investment	1 February 2012 to 31 January 2015 and, unless either party notifies the other of its intention not to renew the contract within two months before the expiration of the initial term or any renewed term, may be automatically renewed for a further period of two years each, based on the same terms and conditions as before.[5] The agreement does not contain any provision allowing a party to early terminate without cause by giving a specified period of notice.	Parties shall negotiate in good faith on the remedies for defective goods, such as goods exchange. If quality problems in respect of Frontier equipment and accessories arise within a prescribed period, we shall be responsible for repair but the costs of ancillary parts for repair shall be borne by Fujifilm China Investment.	N/A

Product	Subject matter	Term of contract	License fees
Authorization to sell various Fujifilm products and to use and sublicense the "FUJIFILM" logo for photofinishing business	Yestar Shanghai has been authorized to sell Fujifilm digital photofinishing equipment, color film, color photographic paper and consumables in the PRC, to establish digital photofinishing stores and use the FUJIFILM logo on their signboard, to sublicense other Fujifilm photofinishing stores to use the FUJIFILM logo on their signboard and to use 富士trademark on relevant promotional material; to establish 富士Yestar digital imaging stores and use FUJIFILM logo on their signboard of these stores, under various authorization letters signed by Fujifilm China Investment	Term of the Yestar Shanghai's authorizations to sell various Fujifilm products and to use and sublicense the "FUJIFILM" logo for photofinishing business was not stated in the authorization letters issued by Fujifilm China Investment. As advised by our PRC Legal Advisers, according to relevant PRC laws, Fujifilm China Investment's authorizations to Yestar Shanghai would continue to be effective from the dates of the respective authorization letters, until Fujifilm China Investment explicitly terminate or withdraw such authorizations to Yestar Shanghai. The authorizations do not contain any provision allowing a party to early terminate without cause by giving a specified period of notice.	The authorization letters did not impose any license fees on us.

Notes:

1. We entered into a converting agreement with Fujifilm Group in 2005 with a term of three years from 1 April 2005 to 31 March 2008. Pursuant to a memorandum entered into between our Group and Fujifilm Group which took effect on 31 March in 2008, the term of the converting agreement was extended to 31 March 2009 and an automatic renewal clause was introduced such that the converting agreement shall be renewed automatically for further periods of one year each unless either party notified the other of its intention not to renew the converting agreement in writing at least three months before the expiration of the initial term or any renewed term. Such converting agreement was terminated upon the signing of the new Converting Agreement.

2. We entered into annual contracts with Fujifilm Group for purchase of color photographic paper master rolls since 2007. Such annual terms commenced on 30 April 2007 and 1 May 2008, respectively. The 2008 contract was extended for successive one-year terms between 2009 and 2012.

3. Pursuant to the Yestar Technology CLP Exclusive Distributorship Contract, Yestar Technology and Fujifilm China Investment agreed that the Yestar Technology CLP MR Purchase Contract shall be amended by (a) removing the parties' rights thereunder to unilaterally terminate the Yestar Technology CLP MR Purchase Contract without cause by giving advance notice; and (ii) enabling the parties to terminate the Yestar Technology CLP MR Purchase Contract by mutual agreement. Pursuant to the Yestar Imaging CLP Exclusive Distributorship Contract, Yestar Imaging and Fujifilm China Investment agreed that the Yestar Imaging CLP MR Purchase Contract shall be amended by (a) removing the parties' rights thereunder to unilaterally terminate the Yestar Imaging CLP MR Purchase Contract without cause by giving advance notice; and (ii) enabling the parties to terminate the Yestar Imaging CLP MR Purchase Contract by mutual agreement.

4. We entered into a contract with Fujifilm Group for distribution of Fujifilm industrial NDT x-ray film on 1 October 2011 for a term commencing from 1 October 2011 to 31 March 2012. On 1 April 2012, we entered into an annual contract commencing from 1 April 2012 to 31 March 2013.

5. Prior to this contract, we entered into three contracts with Fujifilm Group on 8 January 2004 (with a term of three years commencing from 8 January 2004), 14 September 2007 (with a term of two years commencing from 14 September 2007) and 28 January 2008 (with a term of two years from 28 January 2008 and further extended to 31 January 2012), respectively, in relation to Frontier machine and accessories. In respect of the other products, we entered into a contract with Fujifilm Group on 12 May 2011 with a term of one year commencing from 12 May 2011.

As shown in note 5 above, after our master contract with Fujifilm Group for distribution of Frontier machine and accessories expired in January 2007, we did not enter into a new master contract with Fujifilm Group for such products until September 2007. As shown in the table and notes above, save as aforesaid, we extended or entered into new master contracts with Fujifilm Group in respect of color films master rolls, color photographic paper master rolls, Fujifilm industrial NDT x-ray film and various photo imaging products (with changes in product mix) since we entered into our first master contracts with them for the relevant products.

Our Directors understand from Fujifilm Group that Fujifilm Group currently does not see any obstacles or difficulties for our Group to renew our major processing, distributorship, sales and purchase agreements with Fujifilm Group which are to be expired in 2014 or 2015.

A summary of our master contracts with Fujifilm Group for our PWB film, medical dry film and medical wet film businesses are set out below:

Product	Subject matter	Term of contract	Defects and liabilities	Unilateral termination
Fujifilm PWB film master rolls	Purchase of master rolls of PWB film pursuant to a contract dated 1 July 2012 between Yestar Imaging and Fujifilm China Investment	One year from 1 July 2012 and, unless either party notified the other party otherwise three months prior to expiry of the initial term or any renewed term, may be automatically extended for successive terms of one year, based on the same terms and conditions as before. As confirmed by our Directors, since neither party gave notice of non-renewal, the contract has been extended to 1 July 2014. The contract may be terminated by written agreement between the relevant parties. Save as aforesaid, the contract does not contain any provision allowing a party to early terminate without cause by giving a specified period of notice.	We shall notify our supplier within a prescribed period of any defects regarding the exterior packaging. If our supplier confirms that the master rolls contain defects attributable to them which would materially affect our normal production and/or the defects cannot be removed during our production process, they may arrange for refund or other remedial actions, such as price reduction.	(1) Fujifilm China Investment is entitled to terminate the contract by written notice without bearing any liability for breach of contract if any of the following events occur: (i) Our contracting Group member fails to remedy a breach of contract in relation to payment within seven working days after Fujifilm China Investment gives written notice; (ii) Our contracting Group member uses the master rolls for purposes other than provided in the contract; or transfer or give the right to sell, provide, or rent to any third party; or set up any pledges on the interests; or manufacture, use or dispose for any purpose other than that provided in the contract; (iii) Our contracting Group member fails to remedy any other breach of contract within 15 working days since Fujifilm China Investment gives written notice.

Product	Subject matter	Term of contract	Defects and liabilities	Unilateral termination
				(2) Either party is entitled to terminate the contract immediately by written notice if any of the following events occur: (i) Breach of contract by the other party which cannot be remedied; (ii) The other party is in insolvent, or in bankruptcy or reorganization or is incapable of settling payments; (iii) The other party's business license is revoked, or the other party is in liquidation, dissolution, consolidation (acquired by another company) or any other events that result in the other party's failure in performing the contract; (iv) The change of the other party's main investor, shareholding structure, registered capital (except agreed by the parties in advance) or the other party has directly or indirectly made any financial contribution to the party's competitor; (v) Any other material change of the other party's business which is considered to result in a failure in performing the contract.

Product	Subject matter	Term of contract	Defects and liabilities	Unilateral termination
Fujifilm PWB film	Sales of PWB film pursuant to a contract dated 3 July 2012 between Yestar Imaging and Fujifilm China Investment	One year from 3 July 2012 and, unless either party notified the other party otherwise three months prior to expiry of the initial term or any renewed term, may be automatically extended for successive terms of one year, based on the same terms and conditions as before. As confirmed by our Directors, since neither party gave notice of non-renewal, the contract has been extended to 3 July 2014. The contract may be terminated by written agreement between the relevant parties. Save as aforesaid, the contract does not contain any provision allowing a party to early terminate without cause by giving a specified period of notice.	Our customer may return the PWB film with quality problems to us for further processing or request our Group to give corresponding reduction in the selling price or set off the payment required to be paid to us under future individual contracts. Our customer shall also be entitled to claim against us for inherent defects caused by production or any other defects attributable to us. Damages to third parties caused by quality reasons shall be resolved through negotiations between the contractual parties.	(1) Fujifilm China Investment is entitled to terminate the contract if any of the following events occur, and such termination does not affect Fujifilm China Investment's right to claim damages: (i) Our contracting Group member fails to obtain all necessary qualification, certificate or registration, if any; (ii) Any qualification or certificate or registration, if any, provided by our contracting Group member is invalid or became invalid during the performance of the contract. (2) Either party is entitled to terminate the contract immediately by written notice if any of the following events occur: (i) The other party fails to remedy a breach of contract within 30 days after the non-defaulting party gives written notice; (ii) Breach of contract by the other party which cannot be remedied; (iii) The other party is insolvent, or in bankruptcy or reorganization or is incapable of settling payments; (iv) The other party's business license is revoked, or the other party is in liquidation, dissolution, consolidation (acquired by other company) or any other events that result in the other party's failure in performing the contract; (v) The change of the other party's main investor (except agreed by the parties in advance) or the other party has directly or indirectly made any financial contribution to the party's competitor; (vi) The other party loses the essential qualification to perform this contract or proved to have lost the ability to perform this contract; (vii) Any other material change of the other party's business which is considered to result in a failure in performing the contract.

Product	Subject matter	Term of contract	Defects and liabilities	Unilateral termination
Fujifilm medical dry film master rolls	Purchase of master rolls of medical dry film pursuant to a contract dated 3 September 2010 between Yestar Medical and Fujifilm Medical Systems (Shanghai) Co., Ltd. and a novation contract thereto dated 31 January 2011 between the aforesaid parties and Fujifilm (Shanghai) Trading Co., Ltd., as amended.	One year from 3 September 2010 and, unless either party notifies the other party otherwise three months prior to expiry of the initial term or any renewed term, may be automatically extended for successive terms of one year, based on the same terms and conditions as before. As confirmed by our Directors, since neither party gave notice of non-renewal, the contract has been extended to 3 September 2014. The contract may be terminated by written agreement between the relevant parties. Save as aforesaid, the contract does not contain any provision allowing a party to early terminate without cause by giving a specified period of notice.	We shall notify our supplier within a prescribed period of any defects regarding the exterior packaging. If our supplier confirms that the master rolls contain defects attributable to them which would materially affect our normal production and/or the defects cannot be removed during our production process, they may arrange for refund or other remedial actions, such as price reduction.	(1) Fujifilm Medical Systems (Shanghai) Co., Ltd. is entitled to terminate the contract by written notice without bearing any liability for breaching the contract if any of the following events occur: (i) Our contracting Group member fails to remedy a breach of contract in relation to payment within seven working days after Fujifilm Medical Systems (Shanghai) Co., Ltd. gives written notice; (ii) Our contracting Group member fails to remedy any other breach of contract within 15 working days since Fujifilm Medical Systems (Shanghai) Co., Ltd. gives written notice. (2) Either party is entitled to terminate the contract immediately by written notice if any of the following events occurs: (i) Breach of contract by the other party which cannot be remedied; (ii) The other party is insolvent, or in bankruptcy or reorganization or is incapable of settling payments; (iii) The other party's business license is revoked, or the other party is in liquidation, dissolution, consolidation (acquired by another company) or any other events that result in the other party's failure in performing the contract; (iv) The change of the other party's main investor, shareholding structure, registered capital (except agreed by the parties in advance) or the other party has directly or indirectly made any financial contribution to the party's competitor; (v) Any other material change of the other party's business which is considered to result in a failure in performing the contract.

Product	Subject matter	Term of contract	Defects and liabilities	Unilateral termination
Fujifilm medical dry film	Sales of medical dry film pursuant to a contract dated 3 September 2010 between Yestar Medical and Fujifilm China Investment, as amended.	One year from 3 September 2010 and, unless either party notifies the other party otherwise three months prior to expiry of the initial term or any renewed term, may be automatically extended for successive terms of one year, based on the same terms and conditions as before. As confirmed by our Directors, since neither party gave notice of non-renewal, the contract has been extended to 3 September 2014. The contract may be terminated by written agreement between the relevant parties. Save as aforesaid, the contract does not contain any provision allowing a party to early terminate without cause by giving a specified period of notice.	If our customer identifies any quality problems, it has the right to return the medical dry film to us and request further processing or request our Group to give corresponding reduction in the selling price or set off the payment required to be paid to our Group under future individual contracts. Our customer shall also be entitled to claim against us for inherent defects caused by production or any other defects attributable to us. Damages to third parties caused by quality reasons shall be resolved through negotiations between the contractual parties.	(1) Fujifilm China Investment is entitled to terminate the contract if any of the following events occur, and such termination does not affect Fujifilm China Investment's right to claim damages: (i) Our contracting Group member fails to obtain all necessary qualification, certificate or registration, if any; (ii) Any qualification or certificate or registration, if any, provided by our contracting Group member is invalid or became invalid during the performance of the contract. (2) Either party is entitled to terminate the contract immediately by written notice if any of the following events occurs: (i) The other party fails to remedy a breach of contract within 30 days after the non-defaulting party gives written notice; (ii) Breach of the contract by the other party which cannot be remedied; (iii) The other party is insolvent, or in bankruptcy or reorganization or is incapable of settling payments; (iv) The other party's business license is revoked, or the other party is in liquidation, dissolution, consolidation (acquired by other company) or any other events that result in the other party's failure in performing the contract; (v) The change of the other party's main investor (except agreed by the parties in advance) or the other party has directly or indirectly made any financial contribution to the party's competitor; (vi) The other party loses the essential qualification to perform this contract or proved to have lost the ability to perform this contract; (vii) Any other material change of the other party's business which is considered to result in the failure in performing the contract.

Product	Subject matter	Term of contract	Defects and liabilities	Unilateral termination
Fujifilm medical wet film master rolls	Purchase of master rolls of medical wet film pursuant to a contract dated 3 September 2012 between Yestar Medical and Fujifilm (Shanghai) Trading Co., Ltd..	One year from 3 September 2012 and, unless either party notifies the other party otherwise three months prior to expiry of the initial term or any renewed term, may be automatically extended for successive terms of one year, based on the same terms and conditions as before. As confirmed by our Directors, since neither party gave notice of non-renewal, the contract has been extended to 3 September 2014. The contract may be terminated by written agreement between the relevant parties. Save as aforesaid, the contract does not contain any provision allowing a party to early terminate without cause by giving a specified period of notice.	We shall notify our supplier within a prescribed period of any defects regarding the exterior packaging. If our supplier confirms that the master rolls contain defects attributable to them which would materially affect our normal production and/or the defects cannot be removed during our production process, they may arrange for refund or other remedial actions, such as price reduction.	(1) Fujifilm (Shanghai) Trading Co., Ltd. is entitled to terminate the contract by written notice without bearing any liability for breaching the contract if any of the following events occur: (i) Our contracting Group member fails to remedy a breach of contract in relation to payment within seven working days after Fujifilm (Shanghai) Trading Co., Ltd. gives written notice; (ii) Our contracting Group member fails to remedy any other breach of contract within 15 working days since Fujifilm (Shanghai) Trading Co., Ltd. gives written notice. (2) Either party is entitled to terminate the contract immediately by written notice if any of the following events occur: (i) Breach of contract by the other party which cannot be remedied; (ii) The other party is insolvent, or in bankruptcy or reorganization or is incapable of settling payments; (iii) the other party's business license is revoked, or the other party is in liquidation, dissolution, consolidation (acquired by another company) or any other events that result in the other party's failure in performing the contract; (iv) The change of the other party's main investor, shareholding structure, registered capital (except agreed by the parties in advance) or the other party has directly or indirectly made any financial contribution to the party's competitor; (v) Any other material change of the other party's business which is considered to result in a failure in performing the contract.

Product	Subject matter	Term of contract	Defects and liabilities	Unilateral termination
Fujifilm medical wet film	Sales of medical wet film pursuant to a contract dated 3 September 2012 between Yestar Medical and Fujifilm China Investment.	One year from 3 September 2012 and, unless either party notifies the other party otherwise three months prior to expiry of the initial term or any renewed term, may be automatically extended for successive terms of one year, based on the same terms and conditions as before. As confirmed by our Directors, since neither party gave notice of non-renewal, the contract has been extended to 3 September 2014. The contract may be terminated by written agreement between the relevant parties. Save as aforesaid, the contract does not contain any provision allowing a party to early terminate without cause by giving a specified period of notice.	If our customer identifies any quality problems, it has the right to return the medical wet film with quality problems to us for further processing or request our Group to give corresponding reduction in the selling price or set off the payment required to be paid to us under future individual contracts. Our customer shall also be entitled to claim against us for inherent defects caused by production or any other defects attributable to us. Damages to third parties caused by quality reasons shall be resolved through negotiations between the contractual parties.	(1) Fujifilm China Investment is entitled to terminate the contract if any of the following events occurs, and such termination does not affect Fujifilm China Investment's right to claim damages: (i) Our contracting Group member fails to obtain all necessary qualification, certificate or registration, if any; (ii) Any qualification or certificate or registration, if any provided by our contracting Group member is invalid or became invalid during the performance of the contract. (2) Either party is entitled to terminate the contract immediately by written notice if any of the following events occur: (i) The other party fails to remedy a breach of contract within 30 days after the non-defaulting party gives written notice; (ii) Breach of the contract which cannot be remedied; (iii) The other party is insolvent, or in bankruptcy or reorganization or is incapable of settling payments; (iv) The other party's business license is revoked, or the other party is in liquidation, dissolution, consolidation (acquired by other company) or any other events that result in the other party's failure in performing of the contract; (v) The change of the other party's main investor (except agreed by the parties in advance) or either party has directly or indirectly made any finance contribution to the other's competitor; (vi) The other party loses the essential qualification to perform this contract or proved to have lost the ability to perform this contract; (vii) Any other material change of the other party's business which is considered to result in the failure in performing the contract.

As shown in the table above, we have a successful record of renewing our master contracts with Fujifilm Group for master rolls and finished products of medical dry film, medical wet film and PWB film.

Our Directors understand from Fujifilm Group that Fujifilm Group currently does not see any obstacles or difficulties for our Group to renew our major processing, distributorship, sales and purchase agreements with Fujifilm Group which are to be expired in 2014 or 2015.

Exclusive distributorship contracts for color photographic paper

We understand from Fujifilm Group that they normally do not enter into long-term contracts or grant exclusive rights in relation to color photographic paper and films.

Nonetheless, Fujifilm Group has recognized that since May 2007, nearly all the Fujifilm color photographic paper sold in ready-to-use form in the PRC have been distributed by us and since June 2009, nearly all the Fujifilm color photographic paper processed into ready-to-use form in the PRC has been processed by us. Please refer to the paragraphs headed "Our relationship with Fujifilm Group — Color photographic paper — Our success in enhancing the sales of Fujifilm color photographic paper" and "Our relationship with Fujifilm Group — Color photographic paper — Successful record of processing high quality products meeting the requirements of Fujifilm Group" in this section for further details of the incidences where Fujifilm color photographic paper was distributed or processed by other parties in the PRC.

Building on our record of successful cooperation, in June 2013, we were awarded exclusive distributorship rights by Fujifilm China Investment for the distribution of Fujifilm color photographic paper in the PRC pursuant to the CLP Exclusive Distributorship Contracts. Each of the CLP Exclusive Distributorship Contracts took effect in June 2013 and shall end or be extended as and when the relevant CLP MR Purchase Contract expires or, as the case may be, is extended. Pursuant to the CLP Exclusive Distributorship Contracts, Fujifilm China Investment (as the highest operating entity of Fujifilm Corporation in respect of, amongst others, the production and sales of color photographic paper in the PRC) appointed Yestar Technology and Yestar Imaging (as the case may be), as well as their related companies under common control, as the sole and exclusive distributor of Fujifilm color photographic paper in the PRC. Pursuant to the CLP Exclusive Distributorship Contracts, Fujifilm China Investment shall not sell Fujifilm color photographic paper to third parties in the PRC other than our Group and Fujifilm China Investment shall not appoint third party distributors of Fujifilm color photographic paper in the PRC other than our Group. Fujifilm China Investment also warranted that it had the right to make the undertakings contained in the CLP Exclusive Distributorship Contracts on behalf of Fujifilm Corporation and its subsidiaries and associates from time to time. Fujifilm China Investment further undertook that during the term of the CLP Exclusive Distributorship Contracts, it would continue to have the above right and would procure Fujifilm Corporation and its subsidiaries and associates from time to time to comply with the CLP Exclusive Distributorship Contracts.

Restrictions

The aforementioned master contracts contain different restrictions on us, such as prohibiting us from (as the case may be) using or disposing of the master rolls, the work-in-progresses and/or the final products thereof for purposes other than processing of Fujifilm color photographic paper, medical dry film, medical wet film and/or PWB film and/or (as the case may be) provide the master rolls or final products to third parties without the relevant supplier's consent. We shall discard, destroy or scrap in the PRC of any defective and disused parts and waste material from our processing of color photographic paper and Fujifilm color films in compliance with applicable law and regulations and shall not sell, use or transfer the aforesaid to any party. We shall treat defective and damaged parts and scrap material of medical dry film in the manner agreed by Fujifilm Group (including recycling by Fujifilm Group) and shall not use it for commodity or sell or transfer to third party. We shall treat defective and damaged parts of PWB film and wet film in the manner agreed by Fujifilm Group (including recycling by Fujifilm Group) and shall not use the aforesaid for commodity or sell or transfer to third party.

Our non-exclusive distributorship agreements with Fujifilm Group for industrial NDT x-ray film and various photo imaging products do not contain any provision that minimizes the competition between us and other distributors.

Orders

None of our historical or current master contracts with Fujifilm Group mentioned above contained minimum purchase or sales commitments. As set out in the paragraphs headed "Cooperation with Fujifilm Group in respect of some of our products — Price determination" in this section, the prices of the above mentioned products are set out in the relevant master contracts or are predetermined between the parties and may be adjusted by agreement from time to time. As further explained in the paragraphs headed "Cooperation with Fujifilm Group in respect of some of our products — Payment terms and transportation costs" in this section, while the relevant master contracts set out general payment terms, they may be amended by parties from time to time. Detail terms of each order, including the quantity, the price as determined by the parties after negotiation, the payment terms and delivery date, are set out in the purchase orders that may be placed by us or, as the case may be, Fujifilm Group, from time to time. Purchase forecasts or purchase orders are subject to review or confirmation by the counterparty.

Document printing products

We also purchased document printing related products from Fujifilm Group for distribution in the PRC. We have not entered into any master contract with Fujifilm Group in relation to such products and we make purchases under individual purchase orders at prices determined by Fujifilm Group from time to time.

Memorandum of understanding

Yestar Medical entered into a non-legally-binding memorandum of understanding with a member of Fujifilm Group for furthering our cooperation on the processing of medical film, pursuant to which the member of Fujifilm Group may provide the relevant processing technology and raw material, while Yestar Medical may provide, amongst others, processing facilities and processing personnel. After the member of Fujifilm Group invests in Yestar Medical, it may, at its discretion, supply some of its products, experience and know-how to Yestar Medical. Whilst we have not entered into any binding agreement with Fujifilm Group in respect of the project and investment by Fujifilm Group, we aim to leverage on our cooperation with Fujifilm Group to diversify the range of medical products which we process and/or distribute.

Price determination

Pursuant to our master contract for purchase of color photographic paper master rolls, the purchase price of the master rolls is predetermined between the parties and may be adjusted by agreement between the parties upon request by our supplier due to changes in processing, supply and other factors. As we have maintained a long business relationship with our supplier of color photographic paper master rolls, they generally discussed adjustments to the price of color photographic paper master rolls with us about three months or more before the adjustments were intended to take effect, subject to factors such as the extent and circumstances leading to the price adjustments. In negotiating the purchase price of color photographic paper master rolls, we also discussed with our supplier the potential impact of any significant increase in material cost on our sales price, which may in turn affect the sales and market share of Fujifilm color photographic paper in the PRC.

Our Directors confirmed that the purchase price for purchase of other photo imaging products and Fujifilm industrial NDT x-ray film are determined by our supplier from time to time.

Pursuant to the master contracts for purchase of master rolls of PWB film, medical dry film and medical wet film and sales of the final products processed therefrom, the purchase price as set out in the master contract or otherwise predetermined between the parties may be adjusted by agreement between the parties from time to time due to market and other factors. During the Track Record Period, our supplier of medical dry film master rolls discussed adjustments to the price of medical dry film master rolls with us about three months before the adjustments were intended to take effect, subject to factors such as the extent and circumstances leading to the price adjustments. We generally considered various factors when setting the target sales price of PWB film, medical dry film and medical wet film for negotiation with Fujifilm Group, including material cost, labour cost, processing overheads and a mark-up, which we estimate on a monthly basis in order to take appropriate measures to mitigate cost fluctuations. As we are entitled to renegotiate the price of master rolls of PWB film, medical dry film and medical wet film and the final products processed therefrom with Fujifilm Group from time to time, we believe that this arrangement allows us to enjoy greater flexibility to react to changes in customer demand and changes in raw material, production and other costs. During the Track Record Period, our purchase price of PWB film master rolls and wet film master rolls from

Fujifilm Group remained stable. In respect of medical dry film, in addition to changes in our costs, we also considered the purchase volume from our customer when determining our selling price from time to time. During the Track Record Period, we successfully transferred increase in material cost to our customer to attain our desired margin.

Payment terms and transportation costs

A summary of the relevant provisions regarding allocation of transportation costs under some our master contracts with Fujifilm Group and payment terms are set out below:

Product	Payment terms	Party for bearing transportation costs and/or tariffs under our master contracts with Fujifilm Group
Color photographic paper master rolls	Under our master contracts, before purchase, we are required to settle part of the purchase price as initial payment and to deliver a 60-day commercial acceptance bill for the balance. We agreed to pledge inventory representing the balance of the purchase price to our supplier as security until the commercial acceptance bill is honored based on an agreed calculation of the value of prescribed raw materials and final products.	Transportation costs and tariffs: Fujifilm Group
Fujifilm industrial NDT x-ray film	Under our master contract, we shall pay part of the purchase price by bank telegraphic transfer or by 60-day bank's acceptance bill a few days prior to delivery, and the balance by 60-day commercial acceptance bill after delivery in accordance with the terms of individual purchase contracts. If our supplier delivers the products before we make payment, it shall be entitled to retain ownership until payment.	Transportation costs: Fujifilm Group
PWB film master rolls	Under our master contract, the purchase price shall be settled within 75 days after arrival of goods.	Transportation costs: us
PWB film	Under the master contract, we shall commence shipment within three business days after receipt of payment. Considering our relationship with our customer, during the Track Record Period, we granted credit periods of not more than 120 days to our customer in practice.	Transportation costs: Fujifilm Group
Medical dry film master rolls	Under our master contract, the payment for the master rolls should be made within three business days after the receipt of the payment for the ready-to-use film. Our supplier generally granted a credit period of 120 days to us during the Track Record Period.	Transportation costs within the PRC and tariffs: us
Medical dry film	Under our master contract, we shall commence shipment within three business days after receipt of payment. During the initial stage of our cooperation, we generally commenced shipment after receiving payment. Considering our relationship with our customer, gradually, we generally granted credit periods of not more than 120 days to our customer in practice during the Track Record Period.	Transportation costs: Fujifilm Group

Product	Payment terms	Party for bearing transportation costs and/or tariffs under our master contracts with Fujifilm Group
Medical wet film master rolls	Under our master contract, the purchase price shall be settled within 90 days after shipment.	Transportation costs within the PRC and tariffs: us
Medical wet film	Under our master contract, we shall commence shipment within three business days after receipt of payment. Considering our relationship with our customer, during the Track Record Period, we generally granted credit periods of not more than 120 days to our customer in practice.	Transportation costs: Fujifilm Group

Accounting treatment of our transactions with Fujifilm Group in respect of medical dry film, medical wet film and PWB film

The transactions for purchase of master rolls of medical dry film, medical wet film and PWB film from Fujifilm Group and sale of medical dry film, medical wet film and PWB film to Fujifilm Group (namely, the "**Arrangement with Fujifilm Group**") are accounted for on a gross basis (i.e. record the gross sales amount and related cost of sales in the income statement and recognize the inventory in the balance sheet), rather than recognizing the net amount as subcontracting arrangement (i.e. record the net sales amount (subcontracting income) in the income statement and not to recognize the inventory in the balance sheet).

According to International Accounting Standard 18 (''IAS 18'') — Revenue — paragraph 21 of the Appendix, it states that an entity is acting as a principal when it has exposure to the significant risks and rewards associated with the sales of goods.

By applying the accounting standard, in the Directors' assessment that whether an entity has exposures to the significant risks and rewards associated with the sale of goods and acts as principal in the transactions, whether the sales and purchase transaction is conducted with the same party is not an important feature, and the principal features of the transactions and the arrangement between counterparties are more relevant.

Based on the assessment of the contractual terms of the relevant sales and purchase agreements for the Arrangement with Fujifilm Group and the advice of the PRC Legal Advisers, our Directors represented that the Arrangement with Fujifilm Group has the following features which indicate that the transactions should be accounted for as trading income rather than as subcontracting arrangement:

(1) Our Group is the primary obligor in the arrangement

The fact that our Group is responsible for processing the products desired by Fujifilm Group is a strong indicator of our Group's role in the transactions. According to the master rolls purchase agreements and the finished goods sales agreements for medical dry film and medical wet film, the purchase of master rolls from and sales of finished goods to Fujifilm Group are conducted with different members of Fujifilm Group; while for PWB film, the purchase of master rolls from and sales of finished goods to Fujifilm Group are conducted with the same member of Fujifilm Group. The master rolls purchase agreements and finished goods sales agreements were different agreements. Our Group is responsible for fulfilment of the order from Fujifilm Group, including the acceptability of the products ordered by the relevant subsidiaries of Fujifilm Group. If the goods are returned by Fujifilm Group due to quality defects, we are responsible for the loss.

During the Track Record Period, our advanced processing technology had enabled us to meet stringent quality requirements of Fujifilm Group. There was no goods returned by Fujifilm Group. The Directors were of the view that our Group can reliably estimate future returns and retains only an insignificant risk of ownership as at the transaction date and the sales of goods to Fujifilm Group can be recognized as revenue then.

Our Directors confirmed that during the initial stage of our discussion with Fujifilm Group on our PWB film cooperation plan, it was contemplated that we may purchase PWB film master rolls from a member of Fujifilm Group under a purchase contract and handle local import procedures in Guangxi (where our manufacturing arm was located), while processed PWB film would be sold to another member of Fujifilm Group (namely, Fujifilm China Investment) under a sales contract, alike our existing cooperation model for medical dry film. However, as our Directors understood that such arrangement would give rise to higher cost implications due to different customs requirements in Guangxi and Shanghai, it was agreed that the master rolls shall be imported via Shanghai by Fujifilm China Investment. As it was customary for Fujifilm Group to sell master rolls under a purchase contract and buy finished goods under a sales contract, alike our cooperation model for medical dry film, the parties continued the customary contractual arrangement instead of enter into a single processing agreement.

(2) Inventory Risk — our Group bears inventory risk

Our Group determines the processing plan and organizes our processing independently. In determining the processing plan, we take into consideration customer demand, our inventory level of the master rolls and finished goods, our Group's processing capacity and etc.. Our Directors confirmed that our Group did not have any oral or written arrangements with Fujifilm Group whereby Fujifilm Group would adjust the purchase price based on the consumption of the master rolls. Furthermore, our Directors confirmed that we have not provided our consumption data of master rolls and other materials to Fujifilm Group.

Our Group takes the title and bears the risks associated with purchased master rolls upon receipt from Fujifilm Group and the risks associated with processed finished goods before delivery to Fujifilm Group, regardless of the price negotiation process and payment methods and takes the full risk of damage or loss of inventories. We also need to bear the cost for inventory management such as (where applicable) warehouse rentals and the cost for the obsolete and damaged inventory items.

For PWB film, we bear the inventory risk as pursuant to the sales agreement, our Group takes the title and bears the risks associated with purchased master rolls of PWB film upon receipt from Fujifilm Group. Pursuant to the separate sales agreement, the Group takes the risks associated with processed finished goods of PWB film until delivery to Fujifilm Group. Upon receipt of master rolls of PWB films, our Group takes the full risk of damage or loss of the master rolls. Our Group also needs to bear the cost for inventory management such as (where applicable) warehouse rentals and the cost for the obsolete and damaged inventory items. During the processing process, our Group takes the responsibility of quality control. If the quality of the finished goods of PWB film cannot meet the criterion as set out in the sales agreement, Fujifilm Group has the right to return the finished goods of PWB film or ask for a lower price and investigate the default liability.

(3) Flexibility in establishing pricing

According to paragraph 21 of Appendix to IAS 18, the last sentence states that ''one feature indicating that an entity is acting as an agent is that the amount the entity earns is predetermined, being either a fixed fee per transaction or a stated percentage of the amount billed to the customer''.

Our Directors consider that this feature does not apply to the Arrangement with Fujifilm Group as our Group has ability in establishing prices of the products sold to Fujifilm Group. Normally, in determining our sales price, we principally take into account material costs, labour cost, processing overheads and a mark-up, and our Group has the ability to set our target mark-up and negotiate with Fujifilm Group. Fujifilm Group will not make any compensation for over-consumed master rolls of PWB film or other materials in the processing process, likewise, Fujifilm Group will not enjoy a lower purchase price of PWB film when there is less consumption of master rolls or other materials in the processing process. Our transactions with Fujifilm Group in respect of PWB film, medical dry film and medical wet film and their master rolls are not conducted on a back-to-back basis. Our purchase price negotiation with Fujifilm Group in respect of master rolls and sales price negotiation with Fujifilm Group in respect of finished goods are not conducted on a sales order to purchase order basis but conducted separately. Fujifilm Group hasn't given us any oral or written commitment that we can earn a sustainable mark-up percentage by connecting the master rolls purchase price and the selling price of the finished goods processed, which is indicated by the fluctuation in the gross profit margin of medical dry film, medical wet film and PWB film during the Track Record Period. Therefore, the mark-up percentage is not predetermined by Fujifilm Group in the manner contemplated under paragraph 21 of Appendix to IAS 18.

(4) Credit Risk — our Group bears the customer's credit risk for the amount receivable from Fujifilm Group

We record trade receivables from Fujifilm Group for the sales to Fujifilm Group. Our Group is subject to credit risk if Fujifilm Group defaults in payments. The trade payables due to Fujifilm Group for the purchase of master rolls and the trade receivables from Fujifilm Group for the sales of finished goods are settled separately. For PWB film, our Group bears the credit risk on the receivable due from Fujifilm Group. In this sub-topic, an important and more relevant feature indicates that our Group acts as principal in the sales of finished goods is that, pursuant to the sales agreement, our Group is entitled to the right of the collection of receivables due from Fujifilm Group on the gross sales amount rather the processing fee only, and our Group takes the credit risk on the gross sales amount accordingly. The fact that whether there were payables due to Fujifilm Group for the purchase of master rolls is not relevant to whether our Group bears the credit risk in the sales of goods. If there were payables due to Fujifilm Group, the credit risk for receivables due from Fujifilm Group if Fujifilm Group defaults in payments may somehow be reduced after the time of the transaction, but in any event it would not eliminate such risk at the time of the transaction. Our Directors confirmed that there was not any netting-off arrangement for the trade payable and trade receivable balances with Fujifilm Group during the Track Record Period.

The above features indicate our Group has exposure to credit risk associated with the sale of goods.

After applying the above indicators, our Directors are of the view that the Arrangement with Fujifilm Group should be reported on the gross basis.

After considering all the relevant facts and circumstances of the Arrangement with Fujifilm Group in respect of PWB film, the Directors are of the view that our Group has exposure to the significant risks and rewards associated with the sale of goods and acts a principal accordingly, and revenue from sales of PWB films to Fujifilm Group should be reported based on the gross amount charged to Fujifilm Group in accordance with applicable accounting standards under IAS18.

Marketing services fees

During FY2010 and FY2011, we received service fees from Fujifilm Group for marketing services rendered by us in the PRC, the amounts of which were determined by Fujifilm Group after discussion with our Group. During FY2010 and FY2011, Fujifilm China Investment and Yestar Technology entered into monthly contracts on an irregular basis, pursuant to which Fujifilm China Investment agreed to provide service fees to Yestar Technology for the enhanced advertising and product promotion undertaken by Yestar Technology in the PRC in the immediately preceding month to continually increase the popularity and influence of the products of Fujifilm China Investment in the PRC market. The amount of marketing service fees was discretionary and we understand from Fujifilm Group that they considered factors such as the effect of our activities and market sentiment for their products in determining the amount of the marketing service fees.

OUR RELATIONSHIP WITH FUJIFILM GROUP

We source raw material for production and final products for distribution from Fujifilm Group. During FY2010, FY2011, FY2012 and the five months ended 31 May 2013, purchases from Fujifilm Group (excluding purchases attributable to FMCG) amounted to about 84.2%, 88.8%, 96.6% and 96.3% of our total purchases for the corresponding periods, respectively. During the same periods, purchases from Fujifilm Group (including purchases attributable to our FMCG business) amounted to about 84.2%, 89.0%, 96.6% and 96.3% of our total purchases, respectively. Our purchases from

Fujifilm Group included, amongst others, master rolls of color photographic paper. During the Track Record Period, color photographic paper was our largest revenue contributor and accounted for about 83.9%, 53.9%, 62.7% and 43.9% of our total revenue for FY2010, FY2011, and FY2012 and the five months ended 31 May 2013, respectively.

From FY2010 to FY2012, our total revenue (excluding revenue attributable to FMCG business) increased at a CAGR of about 36.5% from about RMB513.2 million to about RMB955.8 million. The increase was partly attributable to our sales of medical dry film to Fujifilm Group since the commencement of our medical imaging business in 2010 and the diversification of our revenue source by selling PWB film and medical wet film to Fujifilm Group in 2012. During the Track Record Period, sales of medical dry film accounted for about 7.1%, 31.0%, 29.3% and 31.8% of our total revenue, respectively. In FY2012 and the five months ended 31 May 2013, sales of PWB film accounted for about 0.2% and 8.3% of our total revenue, while sales of wet film accounted for about 1.4% and 10.0% of our total revenue, respectively. Apart from PWB film, medical dry film and medical wet film, which we sold solely to Fujifilm Group, we also sold an immaterial amount of other products to Fujifilm Group during the Track Record Period. In FY2010, FY2011, FY2012 and the five months ended 31 May 2013, our revenue attributable to Fujifilm Group amounted to about RMB39.6 million, RMB302.9 million, RMB300.1 million and RMB207.7 million, respectively, representing about 7.6%, 31.0%, 31.4% and 50.2% of our total revenue for the corresponding periods. During FY2010 and FY2011, we also derived marketing service income of about RMB6.9 million and RMB6.6 million, respectively, from Fujifilm Group.

In June 2013, we were appointed as the sole and exclusive distributor of Fujifilm color photographic paper in the PRC. Although we are not appointed by Fujifilm Group as its exclusive distributor or exclusive processor of any other products, Fujifilm Group has recognized that currently all the Fujifilm color photographic paper, Fujifilm PWB film, Fujifilm medical dry film and Fujifilm medical wet film processed into ready-to-use form in the PRC are processed into ready-to-use form by us. Please refer to the paragraphs headed "Our relationship with Fujifilm Group — Color photographic paper — Our success in enhancing the sales of Fujifilm color photographic paper", "Our relationship with Fujifilm Group — Color photographic paper — Successful record of processing high quality products meeting the requirements of Fujifilm Group", "Our relationship with Fujifilm Group — Medical dry film — Valued business partner and mutual reliance", "Our relationship with Fujifilm Group — Medical wet film — Valued business partner and strategic cooperation for mutual benefits" and "Our relationship with Fujifilm Group — PWB film — Valued business partner and strategic cooperation for mutual benefits" in this section for further details of the incidents where Fujifilm color photographic paper was distributed and/or processed by other parties in the PRC and where Fujifilm medical dry film, medical wet film and PWB film were processed by other parties.

Our Directors understand that in the unlikely event that Fujifilm Group terminates its engagement of our Group as its sole distributor of Fujifilm color photographic paper in the PRC and/or its largest processor of Fujifilm color photographic paper, medical wet film, medical dry film and PWB film into ready-to-use form in the PRC, it will inform our Group and consult with us before carrying out any such plans with a view to allow sufficient time, which is to be agreed between our Group and Fujifilm Group at the relevant time, for us to make alternative business arrangements and/or implement a contingency plan for the purpose of continuing our business after the termination of the existing business arrangements with Fujifilm Group. Fujifilm Group has confirmed that it will continue to trade with our Group throughout the transitional period. We may seek to further assess the market situation and our business needs to make alternative business arrangements during the transitional period. In respect of color photographic paper, our Directors currently expect that our contingency may comprise (i) sourcing master rolls from other suppliers and processing the same for sale to such suppliers or distributing the final products as their distributor or under our own Yes!Star brand; (ii) cooperating with other business partners and tapping into the business of distributing color photographic paper for other brands. Our Directors believe that we have considerable advantages in the color photographic paper market as we can leverage on our high quality processing platform, processing capacity, experienced processing staff, sales network in the PRC, our extensive sales and marketing experience, our reputation in distributing color photographic paper in the PRC and our successful business strategies which helped Fujifilm color photographic paper to maintain a leading position in PRC market, as further explained in this section of the Prospectus. In respect of medical dry film, our Directors currently expect that as a contingency plan we may explore the possibility of cooperating with other brands in the PRC medical dry film market by processing their medical dry film in the PRC. According to the Frost & Sullivan Report, the medical dry films of some of the leading brands are currently imported from overseas. In addition, according to the Frost & Sullivan Report, the master rolls of medical dry film for other small market players are mainly imported. Our Directors consider that we have considerable advantages in cooperating with overseas suppliers, as demonstrated by our record of successful cooperation with Fujifilm Group. We may also distribute medical dry film when we establish the requisite sales network. According to the Frost & Sullivan Report, as the customers of CR, DR and medical dry film belong to the same group, strong sales of CR and DR can usually drive the sales of medical dry film. Our Directors consider that the medical device sales network of the medical device company which we plan to acquire may allow us access to customers of medical dry film. In respect of both medical wet film and PWB film, as a contingency we may leverage on our processing platform to process medical wet film and PWB film for other suppliers of master rolls. In addition, for medical wet film, we may also adapt to any decrease in market demand by using the processing line for medical wet film for the processing of medical dry film. According to the Frost & Sullivan Report, the master rolls of medical wet film for other small market players in the PRC are mainly imported. Our Directors believe that our Group may explore the possibility of cooperating with such overseas suppliers. As for PWB film, in light of the increasing demand for PWB film in the PRC, our Directors believe that our Group's processing platform and experience in processing PWB film can help other brands capitalise on the opportunities in the PRC. If our business arrangements with Fujifilm Group are terminated, our Directors are of the view that it would be difficult to assess how practicable and/or effective our contingency plans can be put in place to the extent that new suppliers and/or customers can substitute Fujifilm Group completely or partially within the agreed timeframe as there are many variables that can influence the success of such actions, including the number of suppliers or competitors then active in the PRC market, the demand for the finished products, the distribution models in place at the time, and the macroeconomic environment. Our Directors will continue to monitor the market conditions and revise our contingency plans from time to time in order to maximise the success of such plans should the need for their implementation arise. However, we may not be able to enter into alternative business arrangement to secure any or such quantities of supplies previously provided by Fujifilm Group, or to effect sales to other customers for our products. Please see the sections headed "Risk factor — Risks relating to our business — Risks associated with reliance on Fujifilm Group — Termination and renewal of agreements may affect our business" in this Prospectus for further details. We cannot guarantee that our contingency plans to cooperate with other business partners would be successful, or our business strategies to establish the integrated print center network, to tap into the medical device market in the PRC, or to improve and diversify our portfolio of ancillary solvents for dental film and develop automated equipment for developing dental film, each as more particularly described in the paragraphs headed "Business strategies" in this section, would be successful. In such event, our business, profitability, performance, financial position and results of operations may be materially adversely affected.

In FY2010, FY2011, FY2012 and the five months ended 31 May 2013, sales of other image printing products accounted for about 7.1%, 4.5%, 2.7% and 2.0% of our total revenue, respectively. Our Directors consider that our extensive sales network helps enhance sales of image printing products of Fujifilm Group in the PRC.

In about February 2012, we commenced distribution of Fujifilm industrial NDT x-ray film in the PRC. We did not manufacture Fujifilm industrial NDT x-ray film and, as far as our Directors are aware, not all of the Fujifilm industrial NDT x-ray film distributed in the PRC were distributed by us. As far as our Directors understand, Fujifilm Group may enhance the market presence of its industrial NDT x-ray film in the PRC by distributing Fujifilm industrial NDT x-ray film through different distributors in the PRC. Sales of Fujifilm industrial NDT x-ray film were about RMB60,000 and RMB7,000 respectively for FY2012 (being the year we commenced sales of Fujifilm industrial NDT x-ray film) and for the five months ended 31 May 2013. Our Directors believe that our experience in the sales and marketing of Yes!Star industrial NDT x-ray film can help enhance sales and market presence of Fujifilm industrial NDT x-ray film in the PRC.

Background of Fujifilm Group

Fujifilm is an internationally renowned brand name. Fujifilm Holdings Corporation is listed on the Tokyo Stock Exchange, Osaka Securities Exchange and Nagoya Stock Exchange. According to the annual report of Fujifilm Holdings Corporation for the year ended 31 March 2013, Fujifilm Group provides a broad range of products across three core businesses, namely (i) imaging solutions which include imaging products, color and other films, and photofinishing equipments; (ii) information solutions which include medical system, industrial products and flat panel display material; and (iii) document solutions which include office products and office printers, digital-printing related products and services. According to the annual report of Fujifilm Holdings Corporation for the year ended 31 March 2013, the total assets and net assets of Fujifilm Group as at 31 March 2013 amounted to approximately JPY3,059.6 billion and JPY1,868.9 billion, respectively, and the gross profit and net income of Fujifilm Group for the year ended 31 March 2013 amounted to approximately JPY850.5 billion and JPY71.2 billion, respectively. It was also listed in the Fortune 500 index for 2012. Fujifilm Group is an Independent Third Party.

Long history of strategic cooperation with Fujifilm Group

Our Group, our Controlling Shareholders or the family members of our Chairman have been conducting business with Fujifilm Group since 1971. Over the 42 years, such cooperation has included the processing and/or sales of photo imaging products (such as color photographic paper, color film and other photo-related products), document printing products and medical products (such as medical dry film and wet film) in Indonesia, Vietnam, India, Cambodia and the PRC. There has not been any major dispute or termination of business relationship between (i) Fujifilm Group and (ii) members of our Group or the family members of our Chairman, Mr James Hartono (including the Controlling Shareholders) in the past.

We commenced purchase of photo imaging products from Fujifilm Group in 2001 and our records showed that we sold Fujifilm photo imaging products as early as 2002. Since our establishment, the quantity and variety of products of Fujifilm Group manufactured and/or distributed by us have expanded significantly. Our successful record of delivery of a variety of products which met the stringent quality requirements of Fujifilm Group and our success in enhancing the sales and market share of Fujifilm color photographic paper have strengthened our cooperation and enabled us to become an important business partner of Fujifilm Group.

Color photographic paper

Leading position of Fujifilm color photographic paper

According to the Frost & Sullivan Report, Fujifilm color photographic paper had the largest market share both in terms of revenue and volume in the PRC during 2009 to 2012, with a market share (by revenue and volume, respectively) of about 33.0% and 32.8% in 2009, 34.3% and 34.0% in 2010, 35.1% and 34.6% in 2011 and 35.0% and 33.4% in 2012. According to the Frost & Sullivan Report, the color photographic paper market in the PRC is a highly concentrated market, with Fujifilm, Kodak and Lucky taking up over 84% of the total market during 2009 to 2012 in terms of both sales volume and revenue.

Most important business partner and mutual reliance

We are the most important business partner of Fujifilm Group for color photographic paper in the PRC. Fujifilm Group has recognized that since May 2007, we have been the largest authorized distributor of Fujifilm color photographic paper in the PRC and nearly all the Fujifilm color photographic paper sold in ready-to-use form in the PRC have been distributed by us; and since June 2009, we have been the largest authorized processor of Fujifilm color photographic paper in the PRC and nearly all the Fujifilm color photographic paper processed into ready-to-use form in the PRC has been processed into ready-to-use form by us. Please refer to the paragraphs headed "Our relationship with Fujifilm Group — Color photographic paper — Our success in enhancing the sales of Fujifilm color photographic paper" and "Our relationship with Fujifilm Group — Color photographic paper — Successful record of processing high quality products meeting the requirements of Fujifilm Group" in this section for further details of the incidences where Fujifilm color photographic paper was distributed or processed by other parties in the PRC. In June 2013, we were appointed as the sole and exclusive distributor of Fujifilm color photographic paper in the PRC.

Our success in enhancing the sales of Fujifilm color photographic paper

Fujifilm Group has confirmed that since May 2007 and up to the Latest Practicable Date, it has not appointed other distributors for distribution of Fujifilm color photographic paper in the PRC nor distributed Fujifilm color photographic paper in the PRC on its own. As recognised by Fujifilm Group, it has solely relied on our sales network for distribution of Fujifilm color photographic paper since May 2007 and up to the Latest Practicable Date.

From FY2010 to FY2012, our sales of Fujifilm color photographic paper increased at a CAGR of about 16.9% from about RMB438.8 million to about RMB599.5 million. We have an extensive sales network comprising a mix of wholesalers and end users throughout the PRC. Our Directors estimate that during FY2010, FY2011 and FY2012 and the five months ended 31 May 2013, we sold color photographic paper, our largest revenue contributor, to about 60, 46, 48 and 24 wholesalers and 827, 667, 374 and 318 end users, respectively. As far as our Directors are aware, such wholesalers were located in over 20 provinces and municipalities in the PRC. We closely monitor the market positioning of Fujifilm color photographic paper, conduct detail market research and in-depth analysis on the quality, sales and price models of our competitors, as well as industry trends on demand, supply and price fluctuations with the aim to maximizing our profit as well as maintaining our competitiveness. Our extensive sales network and firm knowledge of market trends enabled us to formulate and implement effective sales channel management, marketing and pricing strategies to adapt to market changes. Based on the statistics in the Frost & Sullivan Report, the color photographic paper market in the PRC grew at a CAGR of about 11.7% by revenue and about 6.0% by volume from 2009 to 2012, while sales of Fujifilm color photographic paper in the PRC market grew at a CAGR of about 13.9% by revenue and about 6.6% by volume in the same period, thus exceeding the overall growth of the PRC color photographic paper market. Our Directors believe that our successful sales and marketing strategies and efforts have contributed to the growth of sales of Fujifilm color photographic paper and its leading market position in the PRC. Our Directors considered that the risk of our Group being replaced would be relatively low.

During a few months in FY2010, Yestar Shanghai had administrative difficulties in issuing sales invoices as it was in the process of relocating its registered office from one tax reporting district to another. To continue the supply of color photographic paper to customers who requested prescribed invoices, we adopted interim measures to request our related party (namely, Shanghai MG International Co., Ltd. ("**Shanghai MG**")) to sell color photographic paper at specified sales prices to specified customers. In this connection, we sold color photographic paper to Shanghai MG and also requested Shanghai MG to purchase color photographic paper from Fujifilm Group and the Processing Group. We have accounted for our sales of color photographic paper to Shanghai MG as our revenue and disclosed such arrangement as related party transactions. For those color photographic paper we requested Shanghai MG to sell to specified customers and to purchase from Fujifilm Group and the Processing Group, as there was no financial impact on the Group's financial statements, no accounting treatment was made for such arrangement. Based on our enquiry with Shanghai MG, the total amount of Fujifilm color photographic paper sold by Shanghai MG to our customers in FY2010 amounted to about RMB5.4 million. The occurrence of and the reasons for conducting such sales through our related party have been fully disclosed to Fujifilm Group and we have obtained a written confirmation from Fujifilm Group that it would not exercise the rights (if any) under the relevant agreements to terminate the same or to claim damages or otherwise take legal actions against our Group by reasons of such sales. During the aforesaid interim period, we continued to arrange sales with our customers and oversaw the distribution of Fujifilm color photographic paper in the PRC.

Successful record of processing high quality products meeting the requirements of Fujifilm Group

Fujifilm Group has confirmed that since June 2009 and up to the Latest Practicable Date, it has not engaged in processing of Fujifilm color photographic paper into ready-to-use form in the PRC directly nor appointed other processors in the PRC for such operations. As recognised by Fujifilm Group, it chose to rely on our processing platform to process Fujifilm color photographic paper in the PRC. Fujifilm Group has acknowledged that compared to our competitors, our processing platform was in the PRC, with low processing cost and high quality. Over the years, our processing platform continued to deliver products which met the stringent quality requirements of Fujifilm Group.

According to the Frost & Sullivan Report, Fujifilm, Kodak and Lucky took up over 84% of the color photographic paper market in the PRC during 2009 to 2012 in terms of both sales volume and revenue. According to the Frost & Sullivan Report, unlike Fujifilm color photographic paper, Lucky and Kodak color photographic paper is processed at Lucky's and Kodak's own factories in the PRC. Considering the sales performance of Fujifilm color photographic paper and other small players, the Frost & Sullivan Report considered that these small players did not have processing facilities with capacity comparable to ours. As noted in the Frost & Sullivan Report, it was hard to identify whether these small players outsourced the processing of color photographic paper to other processors and adopted arrangements similar to that between Fujifilm Group and our Group. As set out in the paragraphs headed "Processing — Designated processing capacity, processing volume and utilization rate for our major products" in this section, our designated processing capacity for color photographic paper in the five months ended 31 May 2013 reached about 24.8 million sq.m.. We consider that suitable alternative processing facilities in the PRC with suitable processing conditions, processing capacity and skilled personnel with experience in processing Fujifilm color photographic paper into ready-to-use form which meet the quality requirements of Fujifilm Group are not readily available to Fujifilm Group. Based on our experience and estimation, it would take considerable time and investment to establish new processing facilities with processing capacity, processing conditions and quality standards similar to ours in the PRC. In light of the above, the Directors considered that the risk of the Group being replaced would be relatively low. As at the Latest Practicable Date, we are not aware of any current plans of Fujifilm Group to engage in processing of Fujifilm color photographic paper into ready-to-use form in the PRC directly or through other authorized processors in the PRC.

In FY2010, we purchased Fujifilm color photographic paper from Fujifilm Group when customers specifically requested for products which were not processed by us in our ordinary processing operations. Such purchases amounted to about RMB2.3 million. As set out in the paragraphs headed "Processing — Outsourcing" in this section, we occasionally outsourced the processing of color photographic paper to the Processing Group up to July 2012. As the above purchases and outsourcing arrangements were conducted at our request, our Directors considered that the aforesaid arrangements did not undermine the reliance placed by Fujifilm Group on us or create competition between our suppliers and our Group.

Strategic cooperation to capitalise on growing opportunities in the PRC

According to the Frost & Sullivan Report, the color photographic paper market in the PRC is expected to expand at CAGR of about 4.0% and 9.9% in terms of volume and revenue respectively from 2012 to 2017. Fujifilm Group has acknowledged that we had the following competitive advantages: (i) our processing platform was in the PRC, with low processing cost and high quality; (ii) our sales channel management had helped expand sales of Fujifilm color photographic paper; and (iii) Fujifilm Group had long term cooperation with our Chairman and his family members. We believe that the processing capacity, quality and cost of our processing platform, as well as our successful sales and marketing strategies, have contributed to the increase in sales and market share of Fujifilm color photographic paper, thus encouraging both parties to continue the cooperation to capitalise on the growing opportunities in the PRC together. As at the Latest Practicable Date, we are not aware of any current plans of Fujifilm Group to engage in sales or processing of Fujifilm color photographic paper into ready-to-use form in the PRC directly or through other authorized distributors or processors in the PRC.

Medical dry film

Leading position of Fujifilm medical dry film

The medical dry film market is dominated by international brands. According to the Frost & Sullivan Report, in 2012, four international brands (namely, Carestream, Agfa, Konica Minolta and Fujifilm) together accounted for over 90% of the market share by revenue and volume. According to the Frost & Sullivan Report, Fujifilm, the fourth largest player, accounted for about 12.8% and 13.1% of the market share in 2012 by revenue and volume, respectively.

Valued business partner and mutual reliance

Fujifilm Group has recognized that we were the largest authorized processor of Fujifilm medical dry film into ready-to-use form in the PRC during the Track Record Period and up to the Latest Practicable Date. We commenced processing medical dry film into ready-to-use form in 2010 and, as recognized by Fujifilm Group, by 2011 and 2012, nearly all medical dry films sold by Fujifilm Group in the PRC were processed into ready-to-use form by us. We understand from Fujifilm Group that all the Fujifilm medical dry film sold in the PRC before we began mass-production was imported from overseas. We also understand from Fujifilm Group that currently, Fujifilm medical dry film is imported from overseas only if the model is not processed by us. Fujifilm Group further confirmed that during the Track Record Period and up to the Latest Practicable Date, it did not engage in processing of medical dry film into ready-to-use form in the PRC directly nor appointed other processors in the PRC for such operations.

Our Directors considered that the arrangement provided us with a valuable opportunity to tap into the medical imaging market and capitalise on the growing opportunities in the PRC. Fujifilm Group has acknowledged that compared to importing medical dry film from overseas, our processing operation can help decreasing the cost of Fujifilm medical dry film, and further strengthening its competitiveness. We understand from Fujifilm Group that currently, it did not have any plans to import medical dry film from overseas and will continue to rely on us, save when its customers request for models which are not processed by us.

According to the Frost & Sullivan Report, apart from Fujifilm Group, the other three leading players in the medical dry film market in the PRC process medical dry film in their own factories or import from overseas factories. According to the Frost & Sullivan Report, Carestream has its own processing facilities in China and Agfa and Konica Minolta imported its medical dry film from overseas. According to the Frost & Sullivan Report, apart from these major competitors, none of the other companies in the PRC have processing capacities comparable to ours. As noted in the Frost & Sullivan Report, it was hard to identify whether the other small players outsourced the processing of medical dry film to other processors and adopted arrangements similar to that between our Group and Fujifilm Group. As set out in the paragraphs headed "Processing — Designated processing capacity, processing volume and utilization rate for our major products" in this section, our designated processing capacity for medical dry film in the five months ended 31 May 2013 reached about 3.3 million sq.m.. We consider that suitable alternative processing facilities in the PRC with suitable processing conditions, processing capacity and skilled personnel with experience in processing Fujifilm medical dry film into ready-to-use form which meet the quality requirements of Fujifilm Group are not readily available to Fujifilm Group. Based on our experience and estimation, it would take considerable time and investment to establish new processing facilities with processing capacity, processing conditions and quality standards similar to ours in the PRC. In light of the above, our Directors considered that the risk of our Group being replaced would be relatively low. As at the Latest Practicable Date, we are not aware of any current plans of Fujifilm Group to engage in processing of Fujifilm medical dry film into ready-to-use form in the PRC directly or through other authorized processors in the PRC.

Strategic cooperation to capitalise on growing opportunities in the PRC

In the past few years, the total healthcare expenditure in the PRC grow at a fast rate, driven by a combination of factors, including increasing health awareness, aging population, improvement in medical facilities and expansion of medical insurance coverage. According to the Frost & Sullivan Report, the medical dry film market in the PRC is expected to grow at a CAGR of about 13.1% in terms of revenue and 13.2% in terms of volume respectively from 2012 to 2017. Given the continuation of our cooperation and Fujifilm Group's reliance on our processing platform in the PRC, we believe that the processing capacity, quality and cost of our processing platform have met the requirements of Fujifilm Group and its customers, encouraging both parties to continue the cooperation to capitalise on the growing opportunities in the PRC together.

Medical wet film

Leading position of Fujifilm medical wet film

According to the Frost & Sullivan Report, Fujifilm has a long history in the medical wet film business and ranked as the second largest player in the PRC market in 2012. According to the Frost & Sullivan Report, Fujifilm medical wet film accounted for a market share of about 35.0% and 34.8% in 2012 in terms of sales volume and revenue, respectively. According to the Frost & Sullivan Report, the top four players in the PRC (namely, Carestream, Fujifilm, Tianjin and Baiyunsanhe) accounted for over 90% of the market share in the PRC in terms of volume in 2012.

Valued business partner and strategic cooperation for mutual benefits

We commenced processing of Fujifilm medical wet film in FY2012. We are recognized by Fujifilm Group as its largest authorized processor of Fujifilm medical wet film into ready-to-use form in the PRC during FY2012 and up to the Latest Practicable Date. Fujifilm Group has confirmed that during the Track Record Period and up to the Latest Practicable Date, it did not engage in processing of medical wet film into ready-to-use form in the PRC directly nor appointed other processors in the PRC for such operations. We understand from Fujifilm Group that before our cooperation, all Fujifilm medical wet films sold in the PRC were imported from overseas. Fujifilm Group has acknowledged that compared to importing medical wet film from overseas, our processing operation can help decreasing the cost of Fujifilm medical wet film and further strengthening its competitiveness. We understand from Fujifilm Group that, going forward, subject to market demand and our processing capacity, they intend to import medical wet film for sale in the PRC only when their customers request for models which are not processed by us. According to the Frost & Sullivan Report, Carestream had its own processing facilities in China, whereas the top two domestic players (namely, Tianjin and Baiyunsanhe) sold wet film under their own brands, unlike the arrangement between our Group and Fujifilm Group. As noted in the Frost & Sullivan Report, it was hard to identify whether the other small players outsourced the processing of medical wet film to other processors and adopted arrangements similar to that between our Group and Fujifilm Group. According to the Frost & Sullivan Report, considering that our production of medical wet film only accounted a very small share in Fujifilm's total production in FY2012, it could be deduced that there were other companies in the PRC with processing capacities comparable to or higher than ours.

Flexibility in adapting to changes in the medical film business

According to the Frost & Sullivan Report, the medical wet film market in the PRC is expected to shrink at a CAGR of about 7.1% from about RMB352.2 million in 2012 to about RMB244.2 million in 2017 in terms of revenue. Medical dry film is gradually replacing the medical wet film due to its convenience and environment-friendly features. As our processing line for medical wet film can also be used for processing of medical dry film, our Directors considered that the arrangement can provide flexibility for us to adapt to the changes in demand for the two products. Considering the market position of Fujifilm medical dry film and medical wet film, our Directors considered that the current arrangement can also provide a new source of revenue with satisfactory gross profit margin for our Group.

PWB film

Leading position of Fujifilm PWB film

According to the Frost & Sullivan Report, the PRC PWB film market is dominated by three international brands, namely, Fujifilm, Kodak and AGFA, which accounted for over 90% of the market share in terms of revenue in 2012.

Valued business partner and strategic cooperation for mutual benefits

We commenced processing Fujifilm PWB film in FY2012. We are recognized by Fujifilm Group as its largest authorized processor of Fujifilm PWB film into ready-to-use form in the PRC during FY2012 and up to the Latest Practicable Date. Fujifilm Group has confirmed that during the Track Record Period and up to the Latest Practicable Date, it has not engaged in processing of PWB film into ready-to-use form in the PRC directly nor appointed other processors in the PRC for such operations. We understand from Fujifilm Group that in the past, all the Fujifilm PWB film sold in the PRC was imported from overseas. According to the Frost & Sullivan Report, notwithstanding that imported PWB films are subject to higher cost, Fujifilm PWB film still enjoyed considerable market share due to its relatively high cost effectiveness. In late 2012, we started to process Fujifilm PWB film, which is seen as an effective approach to decrease product cost while upholding product quality to strengthen the competitiveness of Fujifilm PWB film in the PRC market. We understand from Fujifilm Group that currently, Fujifilm PWB film is imported from overseas only if the model is not processed by us or we do not have sufficient processing capacity to fulfil demand. We understand from Fujifilm Group that, going forward, subject to market demand and our processing capacity, they intend to import PWB film for sale in the PRC only when their customers request for models which are not processed by us. Though we understand that a large proportion of the Fujifilm PWB film sold in the PRC is still imported, we believe that further cooperation between Fujifilm Group and our Group can further decrease the cost of Fujifilm PWB film and enhance its competitiveness. Our Directors considered that the arrangement also provided us with a valuable opportunity to tap into the PWB film market and capitalise on the growing opportunities in the PRC. According to the Frost & Sullivan Report, considering that our production of PWB film only accounted for a very small share of Fujifilm's total production, it could be deduced that there are other companies with processing capacities comparable to or higher than ours.

Our Directors believe that our long term cooperation has cultivated confidence and mutual reliance between our Group and Fujifilm Group over the years. Our successful record of processing and delivering films which met the quality requirements of Fujifilm Group has cultivated confidence and mutual reliance between our Group and Fujifilm Group, enabling us to be selected by Fujifilm Group to be their largest authorized processor of PWB film in the PRC, instead of establishing their own processing facility or engaging other processors in the PRC. We believe this is partly attributable to Fujifilm Group's confidence and reliance on our production platform and production management.

Strategic cooperation to capitalise on growing opportunities in the PRC

According to the Frost & Sullivan Report, the PWB film market is expected to grow at a CAGR of about 9.9% from about RMB802.6 million in 2012 to about RMB1,285.5 million in 2017 in terms of revenue, driven by rapid growth of the domestic PWB industry, increasing demand for PWB film from consumer electronics and accelerating innovation in PWB technique. Having been selected by Fujifilm Group as its partner for processing Fujifilm PWB film in the PRC, we will strive to build on this new business cooperation to capitalise on the growing opportunities in the PRC together.

Our high quality processing platform

Over the years, we have continued to deliver quality products which met the stringent requirements of Fujifilm Group. The sensitivity of the master rolls, baby rolls and films to light, temperature, humidity and dust renders it essential for them to be handled under different precisely controlled illumination levels (e.g. dim light or complete darkness), temperature, humidity and dust levels at different stages of the processing process as well as storage. We add significant value to the final products as we offer the requisite processing and storage environment for converting the master rolls into ready-to-use sizes as well as source appropriate packaging materials to protect the final products from exposure to light and other damages. On one hand, this is achieved by our Group's strong knowledge of the requisite processing and storage conditions in order to collaborate with professionals to customize the design and construction of suitable facilities capable of providing the exacting processing and storage conditions. On the other hand, it also requires a large team of skilled production personnel. Our production personnel is required to complete a progressive and extensive training programme of six months to acquire the requisite knowledge regarding color photographic paper and various films and their packaging materials, to master the necessary skills for processing color photographic paper and various films in ready-in-use form under precisely controlled processing conditions and independently control the processing equipment.

Based on our experience, we consider that establishing an alternative processing base in the PRC with the scale of production and processing conditions similar to ours would take considerable time and costs. Identifying suitable land and obtaining governmental permission to build new factory premises take time and are subject to various administration and approval procedures. The construction, installation, testing and adjustment of production facilities, and training of competent staff to operate the production facilities all take considerable amount of time. The initial capital investment required for the construction of a large-scale production base and purchase of production facilities is high. The time and capital investment required may vary with different products. Based on our knowledge and experience, considering the time and capital investment that may be required for (i) purchasing land from the PRC government, (ii) obtaining requisite approvals, registrations and certificates in relation to the project, land acquisition, construction and environmental compliance, (iii) designing and constructing facilities with suitable processing conditions such as dust, temperature, humidity and illumination levels, (iv) designing and purchasing customized processing equipment, (v) installation of processing equipment and trial production, our Directors estimated that it may take about two years to two and a half year and over RMB217 million to establish a processing base for color photographic paper, PWB film, dry film and wet film with the scale of production and production conditions similar to ours. The estimate time and capital investment are hypothetical estimates made by our Directors based on their knowledge and experience. They were derived based on a number of assumptions and, because of their hypothetical nature, may not be indicative of the actual time and amount of capital investment required to establish a new processing facility by our Group or any other party. The actual time and amount of capital investment may be different due to a number of factors, such as the location and size of the processing base, the regulatory requirements and practices in different regions in the PRC, the actual time required for obtaining approvals by different government bodies, the costs of construction and supplies offered by different contractors and suppliers, manpower, the skill of production staff and other factors which may affect the actual progress of construction, installation of processing equipment and trial production. In respect of PWB film and medical wet film, notwithstanding that other companies could be considered to have processing capacities comparable to or higher than ours, our Directors are of the view that the long history of cooperation between our Group and Fujifilm Group and our successful record in delivering products meeting their quality requirements have established a strong foundation for furthering our cooperation, as demonstrated by Fujifilm Group's selection of us to processing PWB film and medical wet film instead of other processors in the PRC. Fujifilm Group has confirmed that it does not have its own processing facilities in the PRC for processing color photographic paper, medical dry film, medical wet film and PWB film in the PRC. Considering the reasons set out in the foregoing paragraphs, our Directors are of the view that there is no reason for Fujifilm Group to terminate its existing business relationship with our Group relating to the engagement of our Group as its largest processor of medical wet film and PWB film into ready-to-use form in the PRC since there would not be any commercial benefit to Fujifilm Group if it were to do so. As at the Latest Practicable Date, we are not aware of any current plans of Fujifilm Group to engage in processing of Fujifilm color photographic paper, medical dry film, medical wet film and PWB film into ready-to-use form in the PRC directly or through other authorized processors in the PRC.

Our strategic cooperation with Fujifilm Group going forward

We understand from Fujifilm Group that they normally do not enter into long-term contracts or grant exclusive rights in relation to color photographic paper or films. Despite this, in early 2012, Fujifilm Group entered into the CLP MR Purchase Contracts with us for the supply of color photographic paper master rolls with initial terms of three years commencing from early 2012, subject to automatic renewal of two years after the initial term and any renewed term as more particularly described under the paragraphs headed "Cooperation with Fujifilm Group in respect of some of our products" in this section. In June 2013, we were further awarded exclusive distributorship rights by Fujifilm China Investment for the distribution of Fujifilm color photographic paper in the PRC pursuant to the CLP Exclusive Distributorship Contracts, each of which shall remain in effect until the relevant CLP MR Purchase Contract expires, and shall be extended for such term as the relevant CLP MR Purchase Contract is extended. The above arrangements show the intention of both Fujifilm Group and our Group to continue our cooperation. Although there is no long-term commitment from Fujifilm Group to supply master rolls to us or place orders with us to process image printing or medical imaging products, our Directors believe that our long term cooperation has cultivated confidence and mutual reliance between our Group and Fujifilm Group over the years. Our successful record of processing and delivering products which met the quality requirements of Fujifilm Group has cultivated confidence and mutual reliance between our Group and Fujifilm Group, enabling us to be selected by Fujifilm Group to be their largest authorized processor of a greater variety of products during the Track Record Period. Fujifilm Group's decision to cooperate with us in the processing of PWB film and medical wet film in the PRC instead of establishing their own processing facility or engaging other processors in the PRC also demonstrate their confidence and reliance on our production platform and production management. The confidence and mutual reliance have established a strong foundation for furthering our cooperation in the future. Considering the quality of master rolls supplied by Fujifilm Group, the limited number of leading suppliers in the color photographic paper, PWB film, medical dry film and medical wet film markets, Fujifilm Group's position as one of the leading players in these markets and the confidence and mutual reliance we have cultivated with Fujifilm Group through our cooperation for over a decade, we consider that it is desirable and in the interest of our Group and Shareholders to continue to source master rolls of the aforementioned products solely from Fujifilm Group. Subject to market or other unanticipated changes beyond our control, based on our current plans, we currently expect that our reliance on Fujifilm Group is not likely to reduce in the near future.

We understand that it is not uncommon for Fujifilm Group to engage a single company or group of companies as the processor or distributor of a particular product (including Fujifilm color photographic paper, PWB film, medical dry film and medical wet film) in a particular region, for example Indonesia, Hong Kong and Macau. For instance, our Directors understand that a company (in which members of the family of our Controlling Shareholders, other than our Controlling Shareholders, hold interests) listed on the Indonesia Stock Exchange has been the sole distributor for all Fujifilm Japan products in Indonesia since 1971. Our Directors are of the view that there is no reason for Fujifilm Group to terminate its existing business relationship with our Group relating to the engagement of our Group as its sole distributor of color photographic paper in the PRC and/or its largest processor of color photographic paper, medical wet film, medical dry film and PWB film into ready-to-use form in the PRC since there would not be any commercial benefit to Fujifilm Group if it were to do so. Further, our Directors understand that in the unlikely event that Fujifilm Group plans to alter such existing business arrangements with our Group, it will inform our Group and consult with us before carrying out any such plans with a view to allow sufficient time, which is to be agreed between our Group and Fujifilm Group at the relevant time, for us to make alternative business arrangements and/or implement a contingency plan for the purpose of continuing our business after the termination of the existing business arrangements with Fujifilm Group. However, our Directors note that it would be difficult to assess how practicable and/or effective our contingency plan can be put in place to the extent that new suppliers and/or customers can substitute Fujifilm Group completely or partially within such agreed timeframe as there are many variables that can influence the success of such actions, including the number of suppliers or competitors then active in the PRC market, the demand for the finished products, the distribution models in place at the time, and the macroeconomic environment. Please see the section headed "Risk factors — Risks relating to our business — Restrictions in our contracts may limit our expansion opportunities" in this Prospectus for further details. Our Directors understand from Fujifilm Group that during such transitional period, Fujifilm Group will not cease supplying goods to our Group nor cease to purchase goods (medical dry film, wet film and PWB film) from our Group.

SALES AND MARKETING

Management of sales channels

Our Directors believe that our successful sales and marketing and channel management strategies have helped Fujifilm color photographic paper to maintain a leading position in the PRC from 2009 to 2012, as well as helped increasing our market share in the industrial NDT x-ray film market in the PRC rapidly.

Other than PWB film, medical dry film and medical wet film which we sell to Fujifilm Group only, we closely monitor our market positioning for our products, and conduct detail market research and in-depth analysis on our competitors and industry trends with the aim to maximizing our profit as well as maintaining our competitiveness. Based on our analysis and industry knowledge of our management team, we derive customized sales channel management and marketing strategies with the aim to maximizing our market penetration and profit margin. We sell color photographic paper, industrial NDT x-ray film and dental film to both wholesalers and end users. Our Directors believe that our wholesale and end-user business models are complementary to each other. Sales to end users generally carry a higher selling price and higher gross profit margin, as well as allow us to obtain feedback on quality directly. On the other hand, our wholesale sales channels can help expand our geographic coverage and accelerate sales growth at lower costs by leveraging on the local market knowledge and sales network of our wholesalers. In addition, as wholesalers in the photo industry may possess a network of photo processing labs who buy photofinishing equipment from them, we can leverage on their networks to increase sales of our professional color photographic paper and photo-printing consumables. Selling directly to wholesalers also reduces our inventory risks and enable us to recognize revenue up front as wholesalers are more likely to have the ability to make pre-payments for bulk orders.

Our Directors understand that it is common industry practice to distribute color photographic paper, industrial NDT x-ray film and dental film through wholesalers. We closely monitor the market situation and manage the proportion of our sales to wholesalers and end users strategically with the aim to maximize our profit as further explained below.

Color photographic paper

Sales to wholesalers and end users

During the Track Record Period, we sold (a) professional color photographic paper to wholesalers and end users, namely, professional photo processing labs which developed photos for photo studios; and (b) minilab color photographic paper to wholesalers and end users, namely, image printing shops. To the best knowledge and belief of our Directors after making reasonable enquiries, our wholesalers mainly included companies engaged in trading of photo imaging and document printing equipment and consumables and light-sensitive material.

We take into account various factors when choosing our wholesalers, including their industry experience, geographic coverage, sales networks, order size and financial strength, as well as our own sales network and transportation costs in the relevant regions. Some of our wholesalers have sales network that span over various regions in the PRC.

Our Directors estimate that during FY2010, FY2011, FY2012 and the five months ended 31 May 2013, we sold color photographic paper to about 60, 46, 48 and 24 wholesalers and 827, 667, 374 and 318 end users, respectively. Our Directors believe that the reduction in the number of customers from FY2010 to FY2012 was mainly the result of our efforts to consolidate our customers network and reduce customers with smaller purchase amounts. Our Directors believe that the decrease in customer numbers in the five months ended 31 May 2013 was attributable to our continued network consolidation efforts and decrease in our sales as a result of fierce market competition. Our Directors estimated that out of the abovementioned wholesaler and end user customers, about nil, ten, seven and six of our wholesaler customers in FY2010, FY2011, FY2012 and the five months ended 31 May 2013 were also regarded as end user customers by us during the relevant periods. As far as our Directors understand, such wholesalers of professional color photographic paper may also operate image printing shops, while wholesalers of minilab color photographic paper may also operate professional photo processing labs. As far as our Directors understand, some of our customers may have common or related shareholders and management. Our wholesalers of color photographic paper during the Track Record Period are independent of us, our shareholders, directors, senior management and their respective associates.

The following table sets out the number of our wholesalers by geographic region:

Regions in the PRC *(Notes)*	**FY2010**	**FY2011**	**FY2012**	**Five months ended 31 May 2013**
Northern	25	22	21	4
Eastern	11	11	18	13
Southern	7	2	1	2
Western	17	11	8	5
Total	60	46	48	24

Notes:

1. Northern China: Inner Mongolia, Beijing, Tianjin, Shandong, Hebei, Liaoning, Heilongjiang and Jilin provinces

2. Eastern China: Shanghai, Jiangsu, Anhui and Zhejiang provinces

3. Southern China: Hubei, Jiangxi, Guangdong and Hunan provinces

4. Western China: Yunnan, Shanxi, Henan, Shaanxi, Qinghai, Xinjiang and Gansu provinces

5. The delineation of regions indicated above are for illustrative purpose only in accordance with our internal categorization and may not correspond exactly with the official geographical delineation of the regions in the PRC.

6. The geographic region of wholesalers is categorized based on their location known to our Directors after making reasonable enquiries. As some of our wholesalers have sales networks which extend beyond the province or city in which they are located, they may be permitted to sell our products beyond the province or city in which they are located.

The following table sets out the breakdown of our revenue for minilab and professional color photographic paper by sales channels during the Track Record Period:

Sales channels of minilab color photographic paper

	FY2010		FY2011		FY2012		Five months ended 31 May 2012		Five months ended 31 May 2013	
	Revenue	% of total	Revenue	% of total	Revenue	% of total	Revenue	% of total	Revenue	% of total
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Wholesalers	93,173	32.3	146,214	45.4	204,830	62.2	100,199	70.9	48,753	60.2
End users	195,608	67.7	176,125	54.6	124,356	37.8	41,174	29.1	32,168	39.8
Total	288,781	100.0	322,339	100.0	329,186	100.0	141,373	100	80,921	100.0

Sales channels of professional color photographic paper

	FY2010		FY2011		FY2012		Five months ended 31 May 2012		Five months ended 31 May 2013	
	Revenue	% of total	Revenue	% of total	Revenue	% of total	Revenue	% of total	Revenue	% of total
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Wholesalers	83,300	55.5	108,049	52.8	138,025	51.1	65,175	60.5	38,529	38.2
End users	66,767	44.5	96,559	47.2	132,260	48.9	42,630	39.5	62,350	61.8
Total	150,067	100.0	204,608	100.0	270,285	100.0	107,805	100	100,879	100.0

We closely monitor the market situation and manage the proportion of our sales to wholesalers and end users strategically with the aim to maximizing our profit as well as maintaining our competitiveness. As the minilab color photographic paper market is a business-to-consumer market, where the end users are mainly image printing shops which process photos for individual customers, sales orders made by end users are generally smaller. Due to the lower cost-effectiveness in distributing minilab color photographic paper to end users, in FY2011, FY2012 and the five months ended 31 May 2013, with the aim to maximizing our profit, we adopted a sales channel management strategy to place greater emphasis on sales to wholesalers for our minilab color photographic paper, which led to overall decrease in the proportion of the volume of our sales to end users in the minilab color photographic paper market. As end users in the professional color photographic paper market generally place relatively larger orders, distribution to these buyers are relatively more cost-effective.

Therefore, we gradually increased the proportion of our sales to end users in the professional color photographic paper market during FY2011. To the best knowledge of our Directors, due to the increase in market demand for professional color photographic paper in the professional color photographic paper market in FY2012, demand for our products in the end user market increased. However, as it was our general policy to require full payment before delivery and, to the best knowledge of our Directors, some of the end users, mainly photo processing labs, were not prepared to make relatively large prepayments, some of the end users purchased professional color photographic paper through our wholesalers, resulting in mild increase in the proportion of our sales of professional color photographic paper to end users in FY2012. In the five months ended 31 May 2013, our sales of professional color photographic paper to end users increased in line with our overall strategy to place greater emphasis on sales to end users. Please also refer to the section headed "Financial information" in this Prospectus for further details of our financial performance during the Track Record Period.

End users and wholesalers with small purchase amounts generally do not have fixed term agreements with us and purchase color photographic paper from us by placing purchase orders.

Our arrangements with wholesalers

We generally enter into annual master agreements with wholesalers with larger purchase amounts. The terms of such agreements set out the basic terms and conditions for the transactions without any purchase commitments. Our annual agreements with some wholesalers contain territorial restrictions. Generally, our annual master agreements for color photographic paper include the following terms:

- duration of the agreement;
- our right to adjust the sales price based on changes in market price;
- delivery term: free on truck; and
- our responsibility to purchase insurance for us in respect of the goods in transit from our warehouse to the delivery destination nominated by our customer.

In FY2010 to FY2012, we entered into short term agreements with some of our wholesalers, which usually have terms of about two weeks to three months (subject to early termination by mutual agreement in writing), setting out details terms, such as target sales volume, price and payment terms. Generally, such short term agreements with wholesalers included the following terms:

- the price of our products, the target purchase volume for the term specified in the agreements and the corresponding rebate amounts for meeting and exceeding the purchase targets. Generally, our short term agreements do not impose binding purchase commitments on our customers and separate binding purchase orders which set out the quantities required will be made by our customers from time to time in accordance with the terms of the short term agreements;
- the time for provision of rebates to our customers, which are generally provided in the form of products;

- delivery after payment;
- transfer of title and risks to the customer upon goods acceptance; and
- minimum sales commitments from us for the term of the agreements.

In early 2013, in light of fierce market competition from another leading market player in the color photographic paper market in the PRC, we adopted a strategy to incentivise wholesalers to purchase color photographic paper from us over a longer period of time by entering into six-month agreements with most of our key wholesalers. Such wholesalers and/or their customers could be awarded prescribed amounts of travel benefits by us in July 2013 if such wholesalers met the prescribed purchase targets for the six month period as set out in the agreements. While such agreements did not impose binding purchase commitments on our customers, we considered that such an arrangement provided incentives for wholesalers and their customers to purchase color photographic paper from us and from our wholesaler customers. Compared to providing rebates in the form of products, we believed that our strategy to provide travel benefits would be more effective in procuring purchases from our customers and their end user customers under the market conditions in the first half of 2013. To maintain our competitiveness, our sales price of color photographic paper remained relatively stable in the five months ended 31 May 2013 compared to FY2012. In relation to such travel benefits, we entered into written agreements with all the relevant wholesalers, received the relevant invoices and reflected the relevant amounts in our accounting records. As advised by our PRC Legal Advisers, the relevant written agreements are valid, binding and enforceable and the arrangement of providing travel benefits does not violate any PRC laws and regulations.

In July 2013, we entered into short term agreements of two months with some of our key wholesalers, pursuant to which they would be entitled to prescribed amounts of rebates in the form of color photographic paper if they met the prescribed purchase targets. For professional color photographic paper, they shall be entitled to rebate equivalent to RMB0.2 for every square metre purchased. For minilab color photographic paper, they shall be entitled to rebate equivalent to about RMB5.0 for every roll purchased. The short term agreements did not impose binding purchase commitments on our customers and purchases shall be made pursuant to separate binding purchase orders setting out the quantities required by our customers from time to time. Some of the short term agreements also contained territorial restrictions on our customers. Such short term agreements also provided that delivery shall be made after payment.

As there has been intensive pricing competition between different brands of color photographic paper in the PRC, we believe that fixing the sales price pursuant to short term contracts or purchase orders from time to time allowed us to enjoy greater flexibility in price adjustment to cope with market changes. We provide rebate at prescribed amounts and/or other benefits to some of our wholesalers if they meet purchase targets specified in the biannual or short term agreements. During FY2010 to FY2012, rebate was generally provided in the form of color photographic paper or other photo related products at the price stipulated in the short term agreements. We determined the amount of rebate to wholesalers by reference to, amongst others, the types of products and purchase quantities. Details of our rebate provided in the form of color photographic paper or other photo related products to wholesalers during the Track Record Period were set out below:

	FY2010	FY2011	FY2012	Five months ended 31 May 2013
Total annual rebate *(RMB'000)*	4,332	4,919	5,141	Nil
Total annual rebate expressed as a percentage of the annual sales amount eligible for rebate in respect of each relevant customer*(note)*	2.2% to 12.9%	2.4% to 9.7%	1.5% to 13.1%	Nil

Note: Such percentages do not represent the actual rates of rebate as applicable to each customer of our Group in specific transactions but only represent a mathematical calculation of the relevant annual sums involved. As such, no representation is made that we actually provided rebate to any of our wholesalers at such rates and the amount of rebate given to our wholesalers may vary throughout the year.

We also enhanced our sales through sales promotion campaigns from time to time. In addition to rebates which we generally provided to customers in the form of color photographic paper or other photo related products, we also awarded travel benefits to our wholesaler customers and their customers if our wholesaler customers met prescribed purchase targets. We believe that this incentivised customers of our wholesalers to purchase color photographic paper, which in turn incentivised our wholesaler customers to purchase color photographic paper from us. We also awarded some end user customers with prescribed amounts of photo-related products if they met prescribed purchase targets.

Some of our wholesalers of color photographic paper have referred their customers to us. In FY2010 to FY2012, when we sold color photographic paper to their customers, we may provide rebates to such wholesalers. Save as aforesaid, we do not have contractual relationships with the customers of our wholesalers and we do not own or manage the sales networks of our customers. Although we inform our wholesalers the market price of our color photographic paper derived by our analysis upon their request, such information is provided for guidance only.

We do not grant exclusive distribution rights to our wholesalers under the agreements entered into between the respective wholesalers and us. During the Track Record Period, we sold our products to more than one customer in many regions. We consider various factors in determining whether to sell our products to different customers in the same region, such as the sales network of our wholesalers in the region, the local demand for our products, our own sales network in the region and our profit margin. As one of the means to manage our sales network, our annual, six-month and short term agreements with some of our wholesalers contained territorial restrictions, and some of such contracts in FY2010 to FY2012 entitled us to cancel rebates if the wholesalers failed to comply with the territorial restrictions stipulated therein. Some of our annual and short term agreements with wholesalers may also prohibit the wholesalers from selling to our customers or vice versa. We also obtain customer lists from our wholesalers on their voluntary basis so that we can take appropriate actions to deter other wholesalers in our sales network from selling to the same customers when we receive complaints from the wholesalers. As we do not have long term sales commitments to our customers, we may cease cooperation or cease to provide the same level of rebate or travel benefits (or at all) if a wholesaler refuses to comply with our request to cease selling outside its designated region(s) or cease selling to certain customers. We review reports of some wholesalers to monitor their distribution flow and inventory levels. As the implementation of the policy requires the cooperation of our customers and we may not be able to ensure the accuracy and timeliness of the data provided by our customers, we may not be able to accurately monitor the inventory level of our customers in respect of our products or to identify or prevent any excessive inventory build-up at their ends. Although we have limited contractual control over whom our wholesalers may sell our products to and we have no contractual control over whom their wholesalers may sell our products to, and there may be more than one supplier of our products in the same region, as far as our Directors are aware, during the five months ended 31 May 2013, our revenue from sales of color photographic paper was mainly attributable to wholesalers who mainly sold the products to end users. Since our wholesalers are generally required to make full payment in advance during the Track Record Period, our Directors believe that they generally placed orders based on market demand. Therefore, our Directors believe that there is no material risk of inventory accumulation by our wholesalers which has material adverse effect on our overall operating results.

Pricing, payment and delivery

The following table sets forth our average selling price of color photographic paper during the Track Record Period:

	FY2010	**FY2011**	**FY2012**	**Five months ended 31 May 2012**	**Five months ended 31 May 2013**
	RMB/sq.m.	*RMB/sq.m.*	*RMB/sq.m.*	*RMB/sq.m.*	*RMB/sq.m.*
Wholesalers channel					
minilab	12.5	13.4	14.7	14.7	14.9
professional	13.3	13.9	14.8	14.8	14.9
End users channel					
minilab	12.9	13.6	14.9	14.9	15.3
professional	13.8	14.6	15.5	15.5	15.7

We review our pricing strategies and make necessary adjustments from time to time. In determining our pricing strategies for color photographic paper, we generally take into account the cost of our raw material and various other factors, including profit margin, sales quantity, payment terms, our sales promotion plans, market prices, demand, competition and our market position.

As we have maintained a long business relationship with our supplier of color photographic paper master rolls, they generally discussed adjustments to the price of color photographic paper master rolls with us about three months or more before the adjustments were intend to take effect, subject to factors such as the extent and circumstances leading to the price adjustments. In negotiating the purchase price of color photographic paper master rolls, we also discussed with our supplier potential impact of any significant increase in material cost on our sales price, which may in turn affect the sales and market share of Fujifilm color photographic paper in the PRC. As mentioned above, in addition to the cost of raw material, we took into account various factors when considering the pace and extent of adjustments to our sales price from time to time. For example, if we consider that it is an appropriate time to increase our sales price, we may increase our sales price before the increase in cost of master rolls take effect.

During FY2010 to FY2012, ranked as the first in terms of both revenue and volume in the minilab color photographic paper market, we endeavoured to maintain our leading position as well as maximize our profits by increasing our selling price higher than the average selling price in the market. During FY2010 to FY2012, ranked as the second in terms of both revenue and volume in the professional color photographic paper market, we endeavoured to position our high quality professional color photographic paper at selling price relatively comparable with that of the market. Compared to FY2012, our sales price of color photographic paper remained relatively stable in the five months ended 31 May 2013.

We also adopted customized pricing strategies for different sales channels. As wholesalers generally made larger purchases than end users, the average unit price for our sales to wholesalers was lower than that for end users during the Track Record Period. In determining our sales price to wholesalers, we also took into account our cost and the added value of the ancillary services we provided to wholesalers to help them promote their sales, such as providing sales guidance to our wholesalers and providing technical guidance, equipment maintenance and other support services to help their customers in their photofinishing businesses. Please refer to the paragraphs headed "Sales and marketing — Management of sales channels — Color photographic paper — Our arrangements with wholesalers" in this section for further details on our pricing policy with wholesalers which purchase relatively large amounts from us and our sales incentives and the section headed "Financial information" in this Prospectus for further details of changes in our average selling price of color photographic paper during the Track Record Period. Considering that most of our major wholesaler customers continued to purchase large amounts of color photographic paper from us throughout the Track Record Period, our Directors considered that there was no reason to doubt the sustainability of such customers notwithstanding that there was not a significant difference between the average unit price for our sales to wholesalers and end users during the Track Record Period. In this connection, our Directors also noted that:

(a) generally, our customer base was different from that of our wholesaler customers;

(b) while we generally required customers to make full prepayment before delivery, some end users may be reluctant to make relatively large amounts of prepayment. On the other hand, we did not impose any restriction on our wholesalers from granting credit periods to their customers; and

(c) as we did not impose price restrictions on our wholesaler customers, they were not bound to sell color photographic paper to their own customers at the same price offered by us to our end user customers.

There is intensive pricing competition between different brands of color photographic paper in the PRC. In FY2010 to FY2012, as we fixed the sales price for color photographic paper with our customers pursuant to short term contracts or purchase orders from time to time, our Directors considered that we enjoyed flexibility in coping with changes in material cost, market prices of color photographic paper, market competition, demand of customers and our market share from time to time. In the five months ended 31 May 2013, our sales price remained stable in order to maintain competitiveness. During the Track Record Period, being the largest authorized distributor of Fujifilm color photographic paper in the PRC, we also enjoyed a certain degree of bargaining power in price negotiation with our customers. Our gross profit margin attributable to sales of color photographic paper was about 16.1%, 17.8%, 19.4% and 22.2% in FY2010, FY2011, FY2012 and the five months ended 31 May 2013, respectively. As further explained in the section headed "Financial information" of this Prospectus, our Directors considered that the year-to-year increase in our gross profit margin during the Track Record Period demonstrated our general ability to transfer the increase in our material cost to our customers of color photographic paper, notwithstanding that market competition and demand of customers may at times affect our ability to transfer increase in material cost to our customers.

We generally require our customers to make full prepayment before delivery. Our customers generally settle the purchase price by bank transfer or cash. We engaged third party transport operators to arrange for transportation of our products.

Industrial NDT x-ray film

In FY2011, we commenced to sell Yes!Star industrial NDT x-ray film and in FY2012, we began to distribute Fujifilm industrial NDT x-ray film. We sold industrial NDT x-ray film to wholesalers and end users in the PRC. To the best knowledge and belief of our Directors after making reasonable enquiries, our customers are mainly companies engaged in quality inspection of industrial goods, as well as the trading, installation and repair of the relevant quality inspection equipment. Some quality inspection companies purchase industrial NDT x-ray film from us for their own use as well as for distribution. By selling our products to these companies, we can leverage on their networks of industrial products manufacturers which engage them for equipment inspection. We maintain clearly delineated market, branding and pricing strategies for Yes!Star and Fujifilm industrial NDT x-ray film to target different target customer groups. Our agreement for purchase of master rolls of industrial NDT x-ray film for processing of Yes!Star industrial NDT x-ray film and our agreement for distribution of Fujifilm industrial NDT x-ray film in the PRC do not impose any non-competition restriction on us in respect of the sale and processing of these two products. We target Yes!Star industrial NDT x-ray films at low to mid-end customers and sell it at lower price than Fujifilm industrial NDT x-ray film. We currently sell Fujifilm industrial NDT x-ray film to customers who require higher quality industrial NDT x-ray film.

Sales to wholesalers and end users

We take into account various factors when choosing our wholesalers, including their industry experience, sales networks, order size and financial strength, as well as our own sales network and transportation costs in the relevant regions. As a new player in the industrial NDT x-ray film market, our strategy was to increase our market share and market recognition of our industrial NDT x-ray film by focusing on the wholesales channel. During FY2011, FY2012 and five months ended 31 May 2013, our revenue attributable to sales of industrial NDT x-ray film to wholesalers amounted to about RMB28.3 million, RMB28.8 million and RMB13.7 million, representing about 81.3%, 83.9% and 89.8% of our revenue attributable to sales of industrial NDT x-ray film, respectively.

In light of the decrease in demand in the industrial NDT x-ray film market in the PRC in FY2012, we strengthened our efforts on expanding our customer portfolio to broaden our revenue stream in FY2012. Our Directors estimate that during FY2011, FY2012 and five months ended 31 May 2013, we sold Yes!Star industrial NDT x-ray film to about 25, 43 and 37 wholesalers and 24, 30 and 18 end users, respectively. As far as our Directors understand, a few of our customers during the Track Record Period may have common or related shareholders and management. Our wholesalers of industrial NDT x-ray film during the Track Record Period are independent of us, our shareholders, directors, senior management and their respective associates.

The following table sets out the number of our wholesalers by geographic region:

Regions in the PRC *(Notes)*	**FY2011**	**FY2012**	**Five months ended 31 May 2013**
North-eastern	1	4	2
Eastern	9	21	16
Central	3	4	6
Northern	3	4	4
Southern	5	—	1
North-western	1	6	4
South-western	3	4	4
Total	25	43	37

Notes:

1. North-eastern China: Liaoning and Heilongjiang provinces
2. Eastern China: Shanghai, Shandong, Jiangsu and Zhejiang provinces
3. Central China: Henan, Hubei and Hunan provinces
4. Northern China: Beijing, Hebei, Tianjin and Shanxi province
5. Southern China: Guangdong province
6. North-western China: Gansu, Xinjiang and Shaanxi provinces
7. South-western China: Chongqing, Guizhou and Sichuan

8. The delineation of regions indicated above are for illustrative purpose only in accordance with our internal categorisation and may not correspond exactly with the official geographical delineation of the regions in the PRC.
9. The geographic region of wholesalers is categorised based on their location known to our Directors after making reasonable enquiries. As some of our wholesalers have sales networks which extend beyond the province or city in which they are located, they may be permitted to sell our products beyond the province or city in which they are located.

End users and wholesalers with small purchase amounts generally did not have fixed term agreements with us and purchased industrial NDT x-ray film from us by placing purchase orders. During 2011, 2012 and 2013, we had annual agreements with some of our wholesalers for sales of Yes!Star industrial NDT x-ray film.

Our arrangements with wholesalers

In 2011, some of our annual agreements with wholesalers imposed legally binding minimum supply and purchase commitments, while some annual agreements only stipulated the target purchase volume. For greater flexibility to adapt to market changes, since early 2012, our new annual agreements with wholesalers did not impose minimum supply and purchase commitments and generally included the following terms:

- duration of the agreement;
- territorial restrictions;
- obligation on the wholesaler to enter into monthly contracts with us based on the sales policy released by us each month or to meet average prescribed monthly targets;
- our commitment to provide favourable pricing policy to the wholesaler;
- exchange of goods in case of quality defects; and
- our undertaking to provide products to the wholesaler and ensure that the industrial NDT x-ray film is manufactured by Japan master rolls.

In addition to some of the abovementioned terms:

- our annual agreement entered into in early 2012 with our largest wholesaler of industrial NDT x-ray film also included the following terms:
  - — the price of our products, which may be reviewed by us based on changes in the purchase price of raw material; and
  - — the target purchase volume for the year and prescribed rates of rebates for meeting the purchase targets, which shall be provided on a biannual basis in the form of products. The annual agreement did not impose binding purchase commitments on our customer and separate binding purchase orders which set out the quantities required were made by our customer from time to time in accordance with the terms of the annual agreement; and
- our annual agreements in 2013 also specified the target purchase volume for the year and prescribed rates of rebate for meeting the annual purchase targets, which shall be provided on an annual basis in the form of products. The annual agreements do not impose binding purchase commitments on our customers and separate binding purchase orders which set out the quantities required are made by our customers from time to time in accordance with the terms of the annual agreements.

In 2012 and January 2013, we entered into monthly contracts with some wholesalers pursuant to the annual agreements, which stipulated:

- the price of our products; and
- the target purchase volume for the period and prescribed rates of rebates for meeting the purchase targets, which shall be provided in the form of products at the times specified in the monthly agreements. The monthly agreements did not impose binding purchase commitments on our customers and separate binding purchase orders which set out the quantities required were made by our customers from time to time in accordance with the terms of the annual and monthly agreements.

Beginning in February 2013, since our new annual agreements with wholesalers stipulate that rebates shall be provided on an annual basis if our customers meet the annual purchase targets, we did not enter into monthly contracts.

We may adjust our selling price from time to time, taking into account factors such as the price of raw material and market price of the products. During the Track Record Period, we provided rebate at prescribed rates to some of our wholesalers if they met purchase targets specified in the agreements. Rebate was provided in the form of industrial NDT x-ray film at the then sales price. We determined the amount of rebate to wholesalers by reference to their purchase quantities. Details of our rebate to wholesalers during the Track Record Period are set out below:

	FY2011	**FY2012**	**Five months ended 31 May 2013**
Total annual rebate *(RMB'000)*	1,132	261	Nil*(note 2)*
Total annual rebate expressed as a percentage of the annual sales amount eligible for rebate in respect of each relevant customer*(note 1)*	2.3% to 5.9%	2.4% to 10.0%	Nil*(Note 2)*

Notes:

(1) Such percentages do not represent the actual rates of rebate as applicable to each customer of our Group in specific transactions but only represent a mathematical calculation of the relevant annual sums involved. As such, no representation is made that we actually provided rebate to any of our wholesalers at such rates and the amount of rebate given to our wholesalers may vary throughout the year.

(2) Under our annual contracts with wholesalers commencing in early 2013, rebates shall be provided after our customers meet the annual purchase targets.

We do not have contractual relationships with the customers of our wholesalers and we do not own or manage the sales networks of our customers. Although we inform our wholesalers the market price of our Yes!Star industrial NDT x-ray film derived by our analysis upon their request, such information is provided for guidance only.

Most of our wholesalers during the Track Record Period were not granted exclusive distribution rights. We consider various factors in determining whether to sell our products to different customers in the same region, such as the sales network of our wholesalers in the region, the local demand for our products, our own sales network in the region and our profit margin. During the Track Record Period, to strengthen our market penetration, we sold our products to more than one customer in many regions. As one of the means to manage our sales network, we entered into annual contracts with some wholesalers which contained territorial restrictions. Although we have no contractual control over who our wholesalers and their wholesalers may sell our products to and there may be more than one supplier of our products in the same region, since our wholesalers are required to make full payment in advance, our Directors believe that they placed orders based on market demand and thus our Directors believe that there is no material risk of inventory accumulation by our wholesalers.

Pricing and payment

We review our pricing strategies and make necessary adjustments from time to time. In determining our pricing strategies for Yes!Star industrial NDT x-ray film, we considered various factors, including market price of similar products, market demand and competition, our market share and costs of master rolls. In FY2011 and FY2012, by setting the sales price of Yes!Star industrial NDT x-ray film below the market average, we successfully penetrated the low and mid-end market in the PRC. Depending on factors such as the extent and circumstances leading to price adjustments, our supplier of industrial NDT x-ray film master rolls generally discussed adjustments to the price of industrial NDT x-ray film master rolls with us about three months before the adjustments were intend to take effect. In addition to the cost of raw material, we take into account various factors when considering the pace and extent of adjustments to our sales price from time to time. For example, if we consider that it is an appropriate time to increase our sales price, we may increase our sales price before the increase in cost of master rolls take effect. As more particularly described in the section headed "Financial information — Review of historical operating results — Combined income statements — FY2012 compared with FY2011 — Gross profit and gross profit margin by products" in this Prospectus, in order to maintain the market share of our Yes!Star industrial NDT x-ray film in FY2012, the magnitude of increase in our average selling price was lower than the increase in average material cost, resulting in a decrease in our gross profit margin for Yes!Star industrial NDT x-ray film from FY2011 to FY2012. As we fixed the sales price for industrial NDT x-ray film with our customers pursuant to short term arrangements from time to time, our Directors considered that we enjoyed flexibility in coping with changes in raw material and other costs, market prices, market demand, competition and our market share from time to time. Our sales price of Fujifilm industrial NDT x-ray film is generally set at a markup on our purchase price. Our sales price of Fujifilm industrial NDT x-ray film is higher than that of Yes!Star industrial NDT x-ray film. Since the initial costs for developing end user customers are higher than that of wholesalers, our sales price to end users of Fujifilm and Yes!Star industrial NDT x-ray film are generally higher than our sales price to wholesalers. We generally require full prepayment from our customers before delivery.

Other image printing products

During the Track Record Period, we also sold other photo-related products to image printing shops and professional photo processing labs, as well as document-printing related products to image printing shops. We do not enter into long term sales contracts for these products and we receive individual purchase orders for these products from our customers from time to time. We also sold color photographic paper master rolls to the Processing Group under our processing outsourcing arrangements in FY2010 and FY2011, details of which are set out under the paragraphs headed "Processing — Outsourcing" in this section. Sales of other image printing products accounted for about 7.1%, 4.5%, 2.7% and 2.0% of our total revenue during FY2010, FY2011, FY2012 and the five months ended 31 May 2013, respectively.

Medical imaging products

All Fujifilm medical dry film and medical wet film processed into ready-to-use sizes by us was sold to Fujifilm Group.

We commenced sales of dental film to wholesalers, small-scale hospitals and dental clinics on trial basis in 2011. During the Track Record Period, less than 1% of our revenue from the medical imaging products segment was attributable to sales of dental film. As at the Latest Practicable Date, we do not have any long term contracts with any customer. We do not have direct contractual relationships with the customers of our wholesalers and we do not have control over the prices at which they sell our products. Currently, we plan to further assess our processing capability and market response before entering into long term sales contracts. As a new player in the dental film market, we currently plan to focus on sales to wholesalers to leverage on their local expertise and sales network to accelerate our market penetration. We also plan to enhance sales to public hospitals, which consumption rate are generally higher than small-scale private clinics. We require full prepayment from our customers before delivery. We do not accept goods exchange unless there are quality issues.

Our sales and marketing team

Our Directors believe that a high-caliber industry-focused sales force is one of the key factors for success. As at 31 May 2013, our sales and marketing team comprised 160 staff who specialized in the following business lines:

Business line	**Number of sales personnel**
Color photographic paper and integrated print center	111
Industrial NDT x-ray film and/or dental film	30
Sales technical support	19

Some of our sales personnel for color photographic paper, industrial NDT x-ray film and dental film are stationed in Shanghai, while some are deployed across our branch companies and representative offices. During the Track Record Period, we engaged consulting companies to provide training to our staff members on sales, communication and other techniques. To encourage our sales staff to boost sales, we provide them with commission based on their sales amounts on top of their basic salary.

Our marketing strategies

Other than PWB film, medical dry film and medical wet film which we sell to Fujifilm Group only, we conduct detail market research and in-depth analysis on the quality, sales and price models of our competitors and the industry trends on demand, supply and price fluctuations. We have adopted "Worry-free sales and usage" (無憂經銷無憂使用) as our philosophy and our commitment to our customers. We aim to achieve this by the following means:

(i) high-quality products;

(ii) accord priority to marketing activities prior to the launching of a new product, compile user manuals, provide trial samples and on-site guidance to customers by our sales personnel to make it easier for users to learn how to use new products; and

(iii) enhance customer service by arranging for delivery to customers and enhancing after sales support; and

(iv) participate in influential trade fairs and industry events to enhance our brand image.

Photo related products and document printing related products

For effective management and co-ordination of our distribution network and enhancement of customer service at a regional level, we have set up branch companies and representative offices in various cities in the PRC. As at the Latest Practicable Date, we had branch companies or representative offices in 18 cities or municipalities in the PRC, including Beijing, Shanghai, Chengdu, Qingdao, Shenyang, Nanjing, Guangzhou, Shenzhen, Xi'an and Wuhan. We have also segmented our sales regions into four big regions, namely, Northern, Eastern, Western and Southern, with a supervisor overseeing each region. Our regional supervisors conduct bi-weekly meetings with our Shanghai headquarters to review the implementation of sales policies. Each branch company or representative office is staffed with members of our sales team. They collect market information from some of our wholesalers and other means, and provide market analysis on expected demand and price trends to our Shanghai sales headquarters on a monthly basis. Depending on market conditions, our headquarters in Shanghai generally provide our branch companies and representative offices with sales targets and price policies for color photographic paper periodically and for other photo-related products and document printing products from time to time. We believe that this model helps us formulate procurement strategies and prices for each region strategically.

We adopt customized marketing strategies for different products and different customers, as they focus on different criteria when selecting suppliers. For example, for minilab color photographic paper, branding may be more important. However, professional photo studios tend to place greater emphasis on price and services. As wholesalers generally made larger purchases of color photographic paper than end users, the average unit price for our sales to wholesalers was lower than that for end users during the Track Record Period. Apart from favourable pricing policies, we also prioritize delivery to wholesalers and provide value-added ancillary services to help them promote their sales, such as providing sales guidance to our wholesalers and providing technical guidance, equipment maintenance and other support services to help their customers in photofinishing businesses. During the Track Record Period, we also enhanced our sales through sales promotion campaigns from time to time. In addition to rebates which we generally provided to customers in the form of color photographic paper or other photo related products from time to time, we also awarded travel benefits to our wholesaler customers and their customers if our wholesaler customers met prescribed purchase targets. We believe that this incentivised customers of our wholesalers to purchase color photographic paper, which in turn incentivised our wholesaler customers to purchase color photographic paper from us. We also awarded end user customers with prescribed amounts of photo-related products if they met prescribed purchase targets.

To promote our photo-related products, we provide technical training to potential users. We cooperate with various national and regional industry associations to hold or attend seminars to introduce our products to potential wholesalers and end users (such as wedding photo studio and image printing shops). For example, we held seminars, some in cooperation with the national portrait association (全國人像協會), to promote the Fujifilm brand and high-end Fujifilm professional color photographic paper to wedding photo studios and pro-labs. We conducted research to identify regions and industries with high demand for our products and enhance our marketing efforts in these regions or industries accordingly. We also provide promotional material to our wholesalers to help them enhance their sales. We conduct customer satisfaction surveys to ascertain customers' feedback on our products and services.

Since April 2007, Fujifilm Group's after-sales service hotline and repair services for photofinishing equipment in China have been operated by us. Through the provision of after-sales services to image printing shops, we can strengthen our cooperation with existing customers and identify new customers for photo related products.

Integrated print centers

In the past decade, traditional photo developing has evolved into integrated image output solutions, which enable users to organize, edit and print photos on a wide range of material, such as photo books, cards, calendar, plates, cups and phone cases. With the strong domestic economy and rising disposable income in the PRC, our Directors expect that consumer spending in the minilab image market will be driven by people's pursuit for higher quality of life and aesthetic needs. During the Track Record Period, we supplied photofinishing stores with professional equipment and consumables for value-added photo-printing and document printing (such as printing advertisement materials), as well as professional editing softwares to help them diversify their services. We operate an integrated print center providing professional photo printing and document printing services under our Imagenation brand in Shanghai as a showroom to demonstrate this business model. As one of our marketing strategies for Fujifilm brand products, we used the words "Digital Printing by Fujifilm" on our signboard.

Noting the large demand for printing services from academic staff and students, we plan to build on our experience to establish a network of integrated print centers under our own brand in or near campuses of universities. Please refer to the paragraphs headed "Business strategies — Enhance marketing efforts and expand our sales network for image printing products — Photo-related products and document-printing related products" in this section for further details.

Industrial NDT x-ray film and dental film

Since we launched Yes!Star industrial NDT x-ray film in 2011, we rapidly gained a market share of about 5.4% in the industrial NDT x-ray film market in the PRC in 2012 by revenue. Our Directors believe that our successful sales channel management strategies, pricing strategies and effective marketing work contributed to our success. We closely monitored the market positioning for our products, and conducted detail market research and in-depth analysis on our competitors and industry trends with the aim to maximizing our profit as well as maintaining our competitiveness. Based on our analysis and the industry knowledge of our management team, we derive customized sales channel management and marketing strategies with the aim to maximizing our market penetration and profit margin. As a new player in these markets, outside Shanghai, we currently plan to focus on sales to wholesalers to leverage on their local expertise and sales network to accelerate the market penetration of our products. Our strategy to focus on sales to local wholesalers has successfully helped expand our market presence. By setting our sales price below the market average in FY2011 and FY2012, we successfully penetrated the low and mid-end market. In the past, we promoted our products through exhibitions organized by industry associations, industry magazines and websites. We plan to enhance the promotion of our products through the aforesaid channels. In addition, we aim to take part in bids organised by large corporations and to establish a technical support team to promote industrial NDT x-ray film to large corporations.

As set out in the Frost & Sullivan Report, we captured market share rapidly by providing products with high cost effectiveness, high quality and professional after-sales services. Our industrial NDT x-ray film is processed from master rolls sourced from a supplier with headquarters in Japan, whose holding company and the subsidiaries of which operate under an internationally renowned brandname. According to the Frost & Sullivan Report, the industrial NDT x-ray film master rolls we source apply the latest emulsion making technique to offer multiple distinct advantages such as high speed, consistent performance, and reduced silver content leading to lower price and higher cost effectiveness over domestic brands. Our high quality processing platform, stringent quality control measures, strong production knowledge and team of skilled production personnel enabled us to win market recognition for the quality of our industrial NDT x-ray film. According to the Frost & Sullivan Report, there are other companies adopting similar arrangement between us and our supplier of industrial NDT x-ray film master rolls, such as Datongluo. According to the Frost & Sullivan Report, Yestar ranked 5th in 2011 and 4th in 2012 in terms of both revenue and volume in the industrial NDT x-ray film market, with market share much smaller than other top players. Considering the above, it could be deduced that there were other companies with processing capacities comparable to or higher than ours. As recognized in the Frost & Sullivan Report, the quality and cost-effectiveness of our industrial NDT x-ray film surpassed some of our domestic competitors. We also provide professional after-sales services. We believe that an industry-focused sales force with in-depth product knowledge, led by high-caliber individuals, can enable us to provide strong technical support to customers, thereby bolstering customer satisfaction and brand image.

Since 2011, we began to sell dental film to customers in the PRC, including Fujifilm Group. Since we launched Yes!Star dental film in 2011, we rapidly became the fifth largest player in the PRC market in 2012, with a market share of about 2.5% by revenue and 4.2% by volume. We plan to enhance sales of our dental film by increasing sales to wholesalers to leverage on their local expertise and sales network to expedite our market penetration. We also plan to enhance direct sales to public hospitals, which consumption rate are generally higher than small-scale private clinics. In addition, we plan to promote our products at exhibitions organized by national and regional industry associations. Our Directors understand from the Frost & Sullivan Report that the top five players in the dental film market in the PRC (namely, Carestream, Meisheng, Runyes, Kanghua and Yes!Star) accounted for more than 95% of the market share in the PRC in terms of revenue and volume in 2012. According to the Frost & Sullivan Report, Carestream had its own processing facilities in the PRC. According to the Frost & Sullivan Report, the leading PRC companies such as Meisheng and Runyes enjoyed larger market share than us and had processing capacities comparable to or higher than ours. Considering the above, it could be deduced that there were other companies with processing capacities comparable to or higher than ours.

During the Track Record Period, the revenue attributable to industrial NDT x-ray film and dental film accounted for less than 5% of our total revenue. Our Directors expect that sales of these products would remain to contribute an insignificant portion of our total revenue.

Five largest customers

During the Track Record Period, our revenue was mainly attributable to our color photographic paper and medical dry film businesses. We sell medical dry film, medical wet film and PWB film to Fujifilm Group, while our customers of color photographic paper, industrial NDT x-ray film and dental film comprised a number of wholesalers and end users. One of the members of Fujifilm Group was our second largest customer for FY2010 and our largest customer for FY2011, FY2012 and the five months ended 31 May 2013. We have had business relationship with Fujifilm Group since 2001 and we have been supplying products to our largest five customers in the five months ended 31 May 2013 from approximately two to eight years. We believe that we have established a good and steady relationship with most of our key customers for the five months ended 31 May 2013. For FY2010, FY2011, FY2012 and the five months ended 31 May 2013, revenue from our five largest customers accounted for approximately 24.7%, 41.6%, 41.9% and 60.1% of our total revenue, respectively. During the same periods, revenue from our largest customer accounted for approximately 8.3%, 31.0%, 31.4% and 50.2% of our total revenue, respectively. Our Director, Ms. Wang Ying, and some of our employees had worked for the Processing Group, which was one of our five largest customers in FY2010 and FY2011, before joining our Group. None of our Directors or any of their respective associates, or any Shareholder who owned more than 5% of the issued share capital of our Company as of the Latest Practicable Date, held any interest in any of our five largest customers during the Track Record Period.

Our Directors confirmed that our master contracts for purchase of master rolls did not contain any price restrictions on us in respect of the sales of our products to other customers.

Goods exchange policy

If we determine the quality of our products to be defective and such defects are not caused by our customers, we allow customers to exchange the defective products for new items as part of our goods exchange policy. We do not accept goods returns. In respect of sales of medical dry film, medical wet film and PWB film, please refer to the paragraphs headed “Cooperation with Fujifilm

Group in respect of some of our products" in this section of the Prospectus for details of our contractual arrangement with Fujifilm Group for products with quality problems. The amount of medical dry film, medical wet film and PWB film returned by Fujifilm Group to us during the Track Record Period amounted to nil.

During the Track Record Period, we have not received any major complaints or rejections from customers with regards to our products, or experienced any product dispute, product recall or return of products which had a material adverse effect our financial condition or operating results.

Seasonality

According to the Frost & Sullivan Report, sales of color photographic paper is subject to factors such as culture and holidays instead of seasonal fluctuations, while demand for industrial NDT x-ray film is generally lower in winter as the weather is too cold for inspection companies to check the structural integrity of various industrial products and structures with industrial NDT x-ray film. Sales of our PWB film, medical dry film and medical wet film is subject to our customer's demand.

PROCESSING

Processing planning

We generally formulate our annual budget based on performance in the past year and market conditions, which is reviewed on quarterly and monthly basis. In respect of color photographic paper, industrial NDT x-ray film and dental film, our sales department, procurement department, processing department and material management department convene monthly meetings to formulate the processing and procurement plan for the following month based on, amongst others, existing inventory level, committed procurement volume based on supply contracts with our suppliers, customer demand based on estimates and confirmed sales orders provided by the sales department, market conditions, and our processing capacity. They coordinate on an ongoing basis to make adjustments to processing plans where necessary. Generally, standard types of color photographic paper and Yes!Star industrial NDT x-ray film can be delivered within a few days, while more time would be required for less common specifications. In respect of PWB film, medical dry film and medical wet film, our master sales contracts require our customer to provide its procurement plan to us a few months in advance and confirms orders in the immediately preceding one or two months. We formulate our procurement plan for the requisite raw material based on factors such as the procurement plan from our customer, our inventory of master rolls and finished goods and our processing capacity. Pursuant to our master contract for purchase of master rolls, our purchase requests shall be made to our supplier a few months in advance.

Processing facilities

As at the Latest Practicable Date, our processing lines are situated at Gaoxin Processing Plant and Jinkai Processing Plant, respectively. Our Gaoxin Processing Plant is situated on leasehold properties and has a total gross floor area of 16,856.4 sq.m. Our Jinkai Processing Plant is situated on two parcels of land owned by us with a total site area of approximately 39,862.16 sq.m..

During the Track Record Period and as at the Latest Practicable Date, we processed color photographic paper, industrial NDT x-ray film, medical dry film and medical wet film into ready-to-use sizes at our Gaoxin Processing Plant at Nanning, Guangxi, the PRC. We began to process dental film into ready-to-use sizes in March 2011 and the processing operations are currently located at our Gaoxin Processing Plant. To focus our resources on core processing lines, currently, we only process color films into ready-to-use sizes when demand has attained adequate level.

To cope with the anticipated increase in demand, diversify our product offering and enjoy greater economy of scale, we commenced construction of the Jinkai Processing Plant in March 2012. In around October 2012, we completed part of the first phase construction and began to process PWB film into ready-to-use sizes at the Jinkai Processing Plant. Currently, we plan to install an additional processing line for color photographic paper at the Jinkai Processing Plant, which is currently expected to commence processing in around December 2013.

Considering the size limitation of the first phase of Jinkai Processing Plant and other factors, we currently plan to relocate our processing facilities for industrial NDT x-ray film and some processing facilities for color photographic paper to Jinkai Processing Plant, while retaining our processing facilities for medical dry film, medical wet film, dental film, color film, as well as some processing facilities for color photographic paper at Gaoxin Processing Plant. Our Directors consider that retaining the processing facilities for medical dry film, medical wet film and dental film at the Gaoxin Processing Plant would save significant costs that would otherwise be incurred to build new facilities that meet the stringent processing and storage environment for these products at the Jinkai Processing Plant. Based on our current plans, upon completion of construction of the first phase of Jinkai Processing Plant and relocation of some of our processing facilities from Gaoxin Processing Plant to Jinkai Processing Plant in around December 2013 subject to obtaining requisite government approvals, we currently expect to process color photographic paper, (when demand attained adequate level) color film, medical dry film, medical wet film and dental film into ready-to-use sizes at Gaoxin Processing Plant; and color photographic paper, industrial NDT x-ray film and PWB film into ready-to-use sizes at Jinkai Processing Plant.

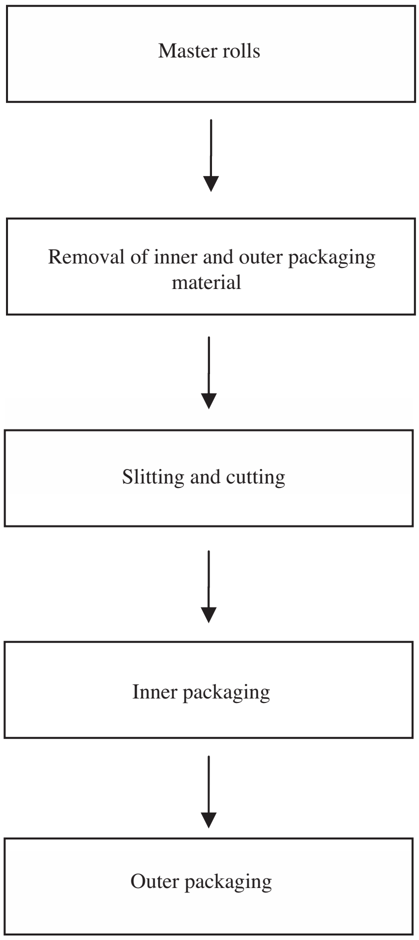
We use customized equipment in our processing process. Our principal equipment includes slitting machine. We conduct regular maintenance of our processing equipment. Our Directors confirmed that during the Track Record Period, we did not experience any material interruption in our processing.

Our processing process

We convert master rolls of color photographic paper into various ready-to-use sizes, commonly known as baby rolls. We also convert master rolls of industrial NDT x-ray film, PWB film, medical dry film, medical wet film and dental film into sheets of various ready-to-use sizes. Our processing process principally involves (i) the removal of outer and inner packaging materials from the master rolls, (ii) slitting and cutting, (iii) inner packaging and (iv) outer packaging. The sensitivity of the master rolls, baby rolls and films to light, temperature, humidity and dust renders it essential for them to be handled under different precisely controlled illumination levels (e.g. dim light or complete darkness), temperature, humidity and dust levels at different stages of the processing process as well as storage. We add significant value to the final products as we offer the requisite processing and storage environment for converting the master rolls into ready-to-use sizes as well as source appropriate packaging materials to protect the final products from exposure to light and other damages.

The following diagram illustrates the key steps in our processing process for color photographic paper, industrial imaging films and medical imaging films:

Processing Process



Details of our principal processing process are further explained below.

Removal of outer and inner packaging materials from the master rolls

Master rolls are protected by both outer and inner packaging materials. Some of the layers of the packaging materials are removed by our processing staff manually and by using customised equipment before slitting and cutting of the master rolls. The removal process is conducted under precisely controlled illumination level to avoid causing damage by exposure to light. The master rolls are stored in our warehouse under precisely controlled illumination, temperature, humidity and dust levels for prescribed periods of time to prepare the master rolls for slitting and cutting.

Slitting and cutting

Master rolls are slitted into prescribed width and length by our customized automated slitting machinery. Such process is required to be conducted under precisely controlled illumination, temperature, humidity and dust levels. By adjusting the parameters of our slitting machinery, we are able to process baby rolls of color photographic paper or sheets of industrial NDT x-ray film, PWB film, medical dry film, medical wet film and dental film of various sizes according to processing and sales demand.

Inner packaging for protection of our products

Each baby roll of color photographic paper is placed in an individual packet made of customized material to prevent exposure to light. Each dental film is sealed in a specially designed sheath made of customized material under heat and pressure to protect the finished product from exposure to light and other damages. Prescribed number of industrial NDT x-ray film, PWB film, medical dry film and medical wet film are sealed and packed in packets made of customized material to prevent exposure to light and other damages.

Outer packaging

The packaging for industrial NDT x-ray film and dental film are labeled mainly according to our requirements and relevant requirements under our master rolls purchase contracts, while the packaging for medical dry film, medical wet film and PWB film are labeled according to our customer's requirements. All packed products are subject to quality inspection by our quality control staff on sampling basis to ensure that they are in good condition and conform to the packaging and labeling specifications of our relevant customer and our Group. The products are stored under prescribed conditions until delivery to customers. We conduct quality inspection again prior to delivery.

Quality control throughout the processing process

Quality control is carried out throughout the whole processing process from the arrival of the master rolls at our processing center until the finished products are packed for storage. Our processing staff conducts visual inspection and manual inspection (i.e. touching), as well as various tests on the physical properties of the raw material, intermediate products and final products with customized equipment at various stages. The length, width and density of color photographic paper and films are inspected using specialized equipment. Our quality control staff also visually examines the color photographic paper for physical damages such as particles, fingerprints and defective borders under magnifying glasses. Our quality control staff also inspects sample films against specially lit panels for physical damages such as press lines. We also develop samples of the intermediate and/or final products with processing equipment or printing equipment to ensure that they meet our requirements. The sensitivity of the master rolls, baby rolls and films to light, temperature, humidity and dust renders it essential for them to be handled under different precisely controlled illumination levels (e.g. dim light or complete darkness), temperature, humidity and dust levels. As certain quality inspection tests require exposing the raw material, work-in-progress and products to light, it is vital that we determine the processing parameters accurately and maintain the storage and processing environment under stringently controlled conditions throughout the entire process from receipt of raw material to delivery of finished goods, in order to maintain the quality of our products while limiting the size of our sample checks.

As a lot of our processing and quality control steps are conducted in dim light or complete darkness, our procedures require a relatively high level of expertise. Our processing personnel is required to complete a progressive and extensive training programme of six months to acquire the requisite knowledge regarding color photographic paper and various films and its packaging materials, master the necessary skills for processing these products into ready-in-use form under precisely controlled processing conditions and independently control the processing equipment. Our Directors consider that it requires sophisticated processing techniques to meet the quality requirements of Fujifilm Group. To maintain our competitive advantage, we have strived to maintain cost while ensuring that our processing and storage environment, hence the quality of our goods, meet stringent requirements.

Designated processing capacity, processing volume and utilization rate for our major products

The table below sets out our designated processing capacity, processing volume and utilization rate of our processing facilities for color photographic paper and medical dry film during FY2010, FY2011, FY2012 and the five months ended 31 May 2013:

	Designated processing capacity(4)				Actual processing volume(5)				Utilization rate(6)			
Products	FY2010	FY2011	FY2012	Five months ended 31 May 2013	FY2010	FY2011	FY2012	Five months ended 31 May 2013	FY2010	FY2011	FY2012	Five months ended 31 May 2013
Color photographic paper(1)(3) (sq.m. '000)	44,771.7	48,561.4	52,299.5	24,796.6	33,111.3	35,399.0	44,391.6	14,514.3	74.0%	72.9%	84.9%	58.5%
Medical dry film(2)(3) (sq.m. '000)	3,668.3	7,083.8	7,747.7	3,345.2	1,239.7	6,749.2	5,582.5	2,865.8	33.8%	95.3%	72.1%	85.7%

Notes:

1. Our Directors confirmed that significant increases in designated processing capacity were mainly attributable to increases in the number of processing lines put into operation during the Track Record Period.

2. We began to process medical dry film into ready-to-use sizes in July 2010. The increase in designated processing capacity for medical dry film from 2010 to 2011 was mainly attributable to the full-year processing during 2011 compared with the approximately six-month processing during 2010.

3. Since our processing lines for color photographic paper and medical dry film can process products of different sizes at different speeds according to our empirical analysis, the designated processing capacity may vary according to our product mix.

4. The designated processing capacity was estimated on the following bases:

   (a) each of the processing lines for color photographic paper operated 312 days a year (except where the processing line commenced operation during the year), three shifts per operation day and eight hours per shift, save that there were less operation days for processing of color photographic paper during FY2012 as one of our processing lines for color photographic paper was also used to process industrial NDT x-ray film; and

   (b) the processing line for medical dry film operated 312 days a year, two shifts per operation day and eight hours per shift, save that there were less operation days for FY2010 as processing commenced in July 2010.

5. Actual processing volume was the total actual sq.m. of final products (which comprised products of different sizes) processed by our processing lines during the period based on our internal processing records.

6. Utilization rate was derived by dividing the total processing volume by the designated processing capacity for the period.

In respect of color photographic paper, the decrease in our utilization rate from FY2010 to FY2011 was primarily due to increase in the number of our processing lines during FY2010. In FY2012, our utilization rate increased primarily as a result of increase in demand for our color photographic paper. The decrease in our utilization rate from FY2012 to the five months ended 31 May 2013 was primarily due to increase in the number of our processing lines during the end of FY2012 and relatively low sales volume during the five months ended 31 May 2013.

In respect of medical dry film, our utilization rate was relatively low during the start-up stage in FY2010. In FY2011, the increase in our utilization rate was primarily driven by a surge in demand from our customer. The decrease in our utilization rate in FY2012 was due to lower demand from our customer. Our utilization rate increased in the five months ended 31 May 2013 due to higher demand from our customer.

Outsourcing

We outsourced the processing of some of our Fujifilm color photographic paper to the Processing Group for a few years up to about July 2012. From 2011 to about August 2012, we outsourced the processing of some of our Yes!Star industrial NDT x-ray film to the Processing Group. To the best of our Directors' knowledge after making all reasonable enquiries, the Processing Group, namely, 上工申貝(集團)股份有限公司上海申貝感光材料廠 (SGSBGG Shanghai Photosensitive material factory), is a branch company of 上工申貝(集團)股份有限公司 (SGSB Group Co., Ltd), a company incorporated in the PRC and listed on the Shanghai Stock Exchange. According to the website of the Processing Group, it is engaged in, amongst others, the processing and sales of imaging products. In selecting the Processing Group as a processor, we considered, amongst others, the experience of the Processing Group in the processing of color photographic paper and industrial NDT x-ray film, its reputation in the industry, processing capability and ability to meet our quality requirements. As the Processing Group is experienced in processing color photographic paper and industrial NDT x-ray film, our Directors believe that the outsourcing arrangements can give us more flexibility in responding to tight schedules, while at the same time enable us to uphold the quality of the products. Our Director, Ms. Wang Ying, and some of our employees had worked for the Processing Group before joining our Group. The Processing Group is an Independent Third Party.

Fujifilm color photographic paper

During FY2010 and FY2011, Yestar Technology sold master rolls of color photographic paper to the Processing Group for processing and packaging into color photographic paper which, generally, would be sold to Yestar Shanghai at a price determined by reference to the selling price of the master rolls as well as an agreed subcontracting fee and packaging fee. Scrap color photographic paper from the processing process should be sold to Yestar Shanghai at an agreed price. During FY2010 and FY2011, our sales of master rolls to the Processing Group amounted to about RMB13.3 million and RMB21.5 million, representing about 2.5% and 2.2% of our total revenue. During FY2010 and FY2011, our purchases of color photographic paper from the Processing Group amounted to about RMB11.6 million and RMB23.4 million, representing about 2.5% and 3.0% of our total purchases. The Processing Group was one of our five largest suppliers and one of our five largest customers during both FY2010 and FY2011.

In January 2012, Yestar Technology entered into a subcontracting agreement with the Processing Group, pursuant to which the ownership of the master rolls would remain with Yestar Technology under the subcontracting arrangement. As we were not entitled to outsource the processing of color photographic paper under our Converting Agreement with Fujifilm Group, our Directors then perceived that a subcontracting arrangement which allowed our Group to retain ownership over the master rolls may be more appropriate and acceptable to Fujifilm Group. The term of our agreement with the Processing Group was one year from 6 January 2012 to 5 January 2013 and, unless either party notified the other party in writing of termination of the agreement three months prior to the expiry of the agreement, shall be extended for one year. As confirmed by our Directors, since neither party gave notice of termination of the agreement, the agreement has been extended to 5 January 2014. Pursuant to the agreement, Yestar Technology supplied master rolls of color photographic paper to the Processing Group for processing at a prescribed subcontracting fee, as well as a packaging fee based on, amongst others, the amount incurred by the Processing Group for purchasing the relevant packaging materials. Such subcontracting and packaging fees amounted to about RMB0.8 million in FY2012. Under our annual agreement with the Processing Group, the Processing Group shall follow prescribed processing guidelines and perform sample tests on the intermediate and final products based on prescribed requirements. If the samples failed to pass the quality checks, we were entitled to reject products from the same batch and the Processing Group shall provide rectification policies for our review. Under the annual agreement, we may also monitor the processing process. Pursuant to the agreement, we shall be entitled to claim against the Processing Group for defects in the products attributable to the processing by the Processing Group.

We have not outsourced the processing of color photographic paper to the Processing Group after about July 2012. In 2012, our processing capacity for color photographic paper increased with the installation of a new processing line. We also have plans to install an additional processing line, which is currently expected to commence processing in around December 2013. Our Directors have no current intention to terminate the subcontracting contract prior to its expiry in January 2014, in order to maintain flexibility to outsource the processing of color photographic paper to the Processing Group in the event that our processing capacity cannot meet sales demands.

According to our agreements with Fujifilm Group in relation to the supply of master rolls of color photographic paper, (i) our Group shall obtain Fujifilm Group's prior written consent if our Group intends to use, sell, market, supply, transfer or otherwise dispose of the master rolls and their work-in-processes of the conversion for any other purposes; (ii) our Group is permitted to use the trademark on packaging materials of the finished products and to use artwork of packaging materials supplied by Fujifilm Group, both in accordance with the manner approved by Fujifilm Group in advance and the guidelines separately provided by Fujifilm Group, and shall under no circumstances use such trademark, artwork or design of packing materials or similar on any products other than the finished products; and (iii) our Group shall keep strictly confidential any and all technical and business information including but not limited to any and all know-how, data and other technical information such as technical documents which are owned by Fujifilm Group and shall not disclose such information for any purpose other than converting the master rolls of color photographic paper. Accordingly, our Group is not entitled to provide master rolls of photographic paper to the Processing Group for its processing and packaging (with the trademark, artwork and design of packing materials of Fujifilm Group) in accordance with Fujifilm Group's specifications (the "**Outsourcing Arrangements**") and in the event of such breach, Fujifilm Group is entitled to claim for compensatory damages, terminate the supply contracts or demand for an injunction and specific performance. Notwithstanding the aforesaid, Fujifilm Group has confirmed in writing (the "**Confirmation**") that it would not terminate the relevant supply agreement, claim damages or take legal actions against our Group by reason of the Outsourcing Arrangements. Under the Confirmation, it is confirmed that Fujifilm Group will not exercise its rights (if any) under the supply agreements to terminate such agreements or to claim damages or otherwise take legal actions against our Group by reasons of the Outsourcing Arrangements which occurred prior to 15 October 2012 (being the date of the Confirmation), on the conditions that (i) the description of the incidents given by our Group is accurate and sufficiently explain the background and contents of our Group's activities without omission of material facts; and (ii) Fujifilm Group may at any time elect to exercise their rights (if any) to terminate the supply agreements if it finds any fact leading to reasonable doubt if our Group's explanation is true. As such, our Directors understand that, under the Confirmation, Fujifilm Group is barred from exercising the rights arising from the breach of the supply agreements due to the Outsourcing Arrangements to terminate these contracts or to claim damages or otherwise take legal actions against our Group by reasons of the Outsourcing Arrangements which occurred prior to 15 October 2012 on the abovementioned conditions. Our Directors further understand that, since (a) the outsourcing agreement between our Group and the Processing Group was executed and became effective before the date of the Confirmation, (b) it is clearly stated in the Confirmation that such outsourcing agreement with the Processing Group has an initial term of one year which may be automatically extended for another year, and (c) the termination without renewal of such outsourcing agreement was not a condition for the Confirmation, such outsourcing agreement is the subject of the Confirmation and thus the existence of such outsourcing agreement itself does not constitute a breach of the supply agreement, as long as no specific sales, provision or transactions of master rolls for color photographic paper are to be conducted in the future.

Pursuant to our new policy to ensure compliance with the restrictions regarding outsourcing of the processing of color photographic paper, we shall assess our expected sales demand and processing capacity, and to outsource the processing of color photographic paper when our processing capacity cannot meet the expected sales demand only after Fujifilm Group approves our outsourcing application.

Accounting treatment of our color photographic paper transactions with the Processing Group in FY2010 and FY2011

The transactions for sale of master rolls of color photographic paper to the Processing Group and purchase of color photographic paper from the Processing Group (namely, the "**Arrangement with Processing Group**") are accounted for on a gross basis (i.e. record the gross sales amount and related cost of sales in the income statement and recognize the inventory in the balance sheet), rather than recognizing the net amount as subcontracting arrangement (i.e. record the net sales amount (subcontracting income) in the income statement and not to recognize the inventory in the balance sheet).

According to International Accounting Standard 18 ("IAS 18") — Revenue — paragraph 21 of the Appendix, it states that an entity is acting as a principal when it has exposure to the significant risks and rewards associated with the sales of goods.

Based on the assessment of the contractual terms of the relevant sales and purchase agreements for the Arrangement with the Processing Group and the advice of the PRC Legal Advisers, our Directors represented that the Arrangement with Processing Group has the following features which indicated that the transactions should be accounted for as trading income rather than as subcontracting arrangement:

(1) Processing Group was the primary obligor in the arrangement

The fact that the Processing Group was responsible for processing the products desired by our Group is a strong indicator of the Processing Group's role in the transactions. The master rolls purchase agreements and the finished goods sales agreements were different agreements.

The Processing Group was responsible for fulfilment, including the acceptability of the products ordered by the relevant subsidiaries of our Group. If the goods were returned by our Group due to quality defects, it was the responsibility of the Processing Group to bear the costs.

(2) Inventory Risk — Processing Group bore inventory risk

The Processing Group had the ownership and took the inventory risks upon receipt of master rolls from Yestar Technology and before delivery of finished goods to Yestar Shanghai, regardless of the price negotiation process and payment methods and took the full risk of damage or loss of the inventories. The Processing Group also needed to bear the cost for inventory management such as (where applicable) warehouse rentals and the cost for obsolete and damaged inventory items.

(3) Flexibility in establishing pricing

The Processing Group had the ability to negotiate with our Group and determine the selling prices of products sold to our Group by mutual agreement. Our Group did not give the Processing Group any oral or written commitments that the Processing Group could earn a sustainable mark-up percentage when adjusting the master rolls purchase price and the selling price of the finished goods processed.

(4) Credit Risk

We recorded trade receivables from the Processing Group for the sales of color photographic paper master rolls to the Processing Group and recorded trade payables to the Processing Group for the purchase of color photographic paper from the Processing Group. The Processing Group was subject to credit risk if Yestar Shanghai defaulted in payments. The trade payables due to Yestar Technology for the purchase of master rolls, and the trade receivables from Yestar Shanghai for the sales of finished goods, were settled separately. Our Directors confirmed that there was not any netting-off arrangement for the trade payable and trade receivable balances between the Processing Group and us during the Track Record Period.

The above features indicated that the Processing Group had exposure to credit risk associated with the sale of goods.

After applying the above indicators, our Directors are of the view that the Arrangement with Processing Group should be reported on the gross basis.

Accounting treatment of our color photographic paper transactions with the Processing Group in FY2012

As set out in the outsourcing arrangement for color photographic paper in the paragraphs headed "Processing — Outsourcing" in this section, in January 2012, Yestar Technology entered into a subcontracting contract with the Processing Group. The change of the contract arrangement significantly changed the substance relating to significant risks and rewards associated with the transactions. The transactions in FY2012 were, in substance, rendering of service, i.e. processing services provided by the Processing Group. Our Directors represented that the arrangements for the processing of color photographic paper by the Processing Group were recognised on a net basis as subcontracting fee in FY2012 instead of on gross basis as sales and purchases.

Based on the assessment of the contractual terms of the subcontracting agreements for color photographic paper with the Processing Group and the advice of the PRC Legal Advisers, our Directors represented that the subcontracting arrangement with the Processing Group for the processing of color photographic paper had the following features which indicated that the transactions should be accounted for on a net basis (i.e. record the net amount as subcontracting fee in the income statement and to recognize the inventory in the balance sheet) according to International Accounting Standard 18 ("IAS 18") — Revenue.

1) *Inventory Risk — our Group bears inventory risk*

Under the contract arrangement in FY2012, the Processing Group no longer took the title or bore the risks associated with the master rolls and finished goods of color photographic paper. Instead, our Group had the ownership and took the inventory risks during the whole process of the transaction, including the ownership of the scrap materials after the processing.

2) *Pricing*

Under the contract arrangement in FY2012, the gross inflow of economic benefits from the subcontracting services provided by the Processing Group was the subcontracting fee and packaging fee paid by Yestar Technology, rather than the sales of finished goods of color photographic paper to Yestar Technology.

After considering all the relevant facts and circumstances of the arrangement with the Processing Group in respect of the processing of color photographic paper in FY2012, our Directors are of the view that the Processing Group had no exposure to the significant risks and rewards associated with the master rolls and finished goods of color photographic paper, and the transactions should be accounted for on a net basis according to International Accounting Standard 18 ("IAS 18") — Revenue.

Yes!Star industrial NDT x-ray film

From 2011 to about August 2012, Yestar Technology engaged the Processing Group for the processing of Yes!Star industrial NDT x-ray film. Our supplier of master rolls of industrial NDT x-ray film agreed that we may subcontract the processing of industrial NDT x-ray film to the Processing Group. We did not enter into any long term contracts with the Processing Group for such operations. Pursuant to our monthly contracts with the Processing Group, we supplied master rolls and packaging material to the Processing Group for processing, and the subcontracting fees payable to the Processing Group may be partly set off by the prescribed net value of silver that may be extracted from the scrap material (after netting off prescribed silver processing fee incurred by the Processing Group). Such transactions are governed by a single master agreement with the Processing Group at any one point in time. During FY2011 and FY2012, the net sub-contracting fee payable to the sub-contractor for processing of Yes!Star industrial NDT x-ray film amounted to about RMB84,000 (after netting off the amount of RMB355,000 as the net value of silver extracted from the scrap material and the prescribed silver processing fee) and RMB109,000 (after netting off the amount of RMB198,000 as the net value of silver extracted from the scrap material and the prescribed silver processing fee), respectively. According to the monthly contracts, the Processing Group shall ensure the quality of the processed products and shall compensate our Group in full for any losses arising from quality problems resulted from the packaging process based on our sales price. To ensure that the Processing Group could meet our quality requirements for industrial NDT x-ray film, we provided the Processing Group with quality guidelines, conducted on-site inspection and carried out sample checks on their products during the initial stage of our cooperation. As far as the Directors are aware, the Processing Group was also engaged in the industrial NDT x-ray film business. To avoid disclosing the price of our master rolls and final products of industrial NDT x-ray film, we did not sell master rolls to the Processing Group nor purchased the finished products of Yes!Star industrial NDT x-ray film from the Processing Group, instead, we subcontract the processing of Yes!Star industrial NDT x-ray film to the Processing Group.

Accounting treatment of our Yes!Star industrial NDT x-ray film transactions with the Processing Group

Our Directors represented that the arrangements with the Processing Group for the processing of Yes!Star industrial NDT x-ray film were recognized on a net basis as subcontracting fee.

Based on the assessment of the contractual terms of the subcontracting agreements for Yes!Star industrial NDT x-ray film with the Processing Group and the advice of the PRC Legal Advisers, the Directors represented that the subcontracting arrangement with the Processing Group for the processing of Yes!Star industrial NDT x-ray film had the following features which indicated that the transactions should be accounted for on a net basis (i.e. record the net amount as subcontracting fee in the income statement and to recognize the inventory in the balance sheet of the Group) according to International Accounting Standard 18 ("IAS 18") — Revenue.

(1) Inventory Risk — our Group bore inventory risk

Our Group had the ownership and took the inventory risks during the whole process of the transaction, including the ownership of the scrap materials after the processing.

(2) Pricing

The gross inflow of economic benefits from the subcontracting services provided by the Processing Group was the subcontracting fee paid by Yestar Technology, rather than the sales of finished goods of Yes!Star industrial NDT x-ray film to Yestar Technology.

QUALITY CONTROL

We are committed to processing high quality products and implement a stringent quality system throughout the entire processing process, from inspection of raw materials, work-in-progress and finished products to delivery of goods. Since the master rolls, baby rolls and films are sensitive to light, temperature, humidity and dust, they are handled under various precisely controlled illumination levels (e.g. dim light or complete darkness), temperature, humidity and dust level at different stages of the processing process as well as storage.

Fujifilm Group has provided us with guidelines regarding converting, packing, storage, transportation and quality control for color photographic paper and guidelines for quality inspection for medical dry film. Fujifilm Group usually inspects our processing lines prior to commencement of processing and during routine site visits. In addition, we will send finished goods sold under the Fujifilm brand processed from new processing lines to Fujifilm Group for inspection on request.

Our medical dry film, medical wet film and dental film have been registered with the Food and Drug Administration of Nanning pursuant to PRC laws. In April 2011, Yestar Medical obtained GB/T 19001-2008 idt ISO 9001:2008 Certificate and YY/T 0287-2003 idt ISO 13485:2003 Certificate for the design, development, production and service of Fuji Medical Dry Film. In October 2012, the management systems of Yestar Medical were accredited for meeting the requirements of ISO 13485:2003 EN ISO 13485:2012 for the Manufacture of Dental X-ray Film, as well as for meeting the requirements of Directive 93/42/EEC on medical devices, Annex V for Dental X-ray Film.

We had a quality control team of 20 personnel as of 31 May 2013. As a lot of our converting steps and quality control steps are conducted in dim light or complete darkness, our converting procedures require a relatively high level of expertise. We provide extensive training to our processing staff before they are engaged in processing.

During the Track Record Period, we did not receive any major complaints or rejections from our customers with regards to our products, or experienced any product dispute, product recall or return of products which had a material adverse effect on our financial position or operating results.

PROCUREMENT

Purchases

During the Track Record Period, our principal raw materials were master rolls of color photographic paper, various image printing films and medical imaging films. Other materials used in our processing process mainly included packaging material. Our raw material is sourced from suppliers in China, which, as far as we are aware, mainly imported the raw material from the United States and Japan. We also purchased various products mainly from Fujifilm Group for distribution. During the Track Record Period, we did not experience any material difficulty in obtaining raw materials which materially adversely affected our business. Our Directors confirmed that we have not defaulted or delayed payment to Fujifilm Group during the Track Record Period and up to the Latest Practicable Date which had a material adverse effect on us.

Master rolls of color photographic paper, PWB film, medical dry film and medical wet film, as well as various products for distribution

Please refer to the paragraphs headed "Cooperation with Fujifilm Group in respect of some of our products" in this section above for further information on our cooperation arrangements with Fujifilm Group regarding the purchase of master rolls of color photographic paper, PWB film, medical dry film and medical wet film, as well as various products for distribution.

Master rolls of industrial NDT x-ray film and dental film

During the Track Record Period, Yestar Technology entered into annual master purchase contracts with its supplier for purchase of industrial NDT x-ray film master rolls as raw material for the sole purpose of processing of industrial NDT x-ray film for sale under our Yes!Star brand in the PRC. The current annual purchase contract is valid for a term of one year from 1 April 2013 to 31 March 2014 and, unless either party requests in writing otherwise within one month before the expiration of the contract, may be automatically extended for one year. Notwithstanding the aforesaid, the term of the annual purchase contract may be amended by written agreement between the parties. The purchase price is agreed between the parties based on the price indicated by our supplier, and subject to periodic sales rebate calculated based on prescribed percentage rates which increase should the purchase amounts increase. Under the annual purchase contract, transportation costs shall be borne by our supplier. We shall pay part of the purchase price by bank telegraphic transfer or by 60-day bank's acceptance bill ten days prior to delivery, and the balance by 60-day commercial acceptance bill after delivery in accordance with the terms of individual purchase contract under the master contract. If our supplier delivers the products before we make payment, it shall be entitled to retain ownership until payment. The master contract does not require us to return scrap material of industrial NDT x-ray film to our supplier.

Yestar Medical entered into an annual purchase contract with its supplier for purchase of dental film master rolls as raw material for the sole purpose of processing of dental film for sale under our Yes!Star brand in the PRC. The annual purchase contract had an initial term commencing from 1 January 2013 to 31 December 2013 and, unless either party notifies the other party in writing of termination or amendment of the contract one month prior to the expiry thereof, may be automatically extended for one year. Notwithstanding the aforesaid, the term of the annual purchase contract may be amended by written agreement between the parties. The agreed purchase price may be adjusted by mutual agreement. The supplier shall arrange for customs clearance and delivery of the master rolls and bear relevant fees. We shall settle the purchase price one week prior to the expected cargo loading time and in accordance with the payment terms set out under individual purchase contracts. Pursuant to the annual purchase contract, depending on the total amount under the relevant individual purchase contract, the purchase price shall be settled by bank's acceptance bill or by commercial acceptance bill, each covering a period of about a couple months. If our supplier is unable to honour the acceptance bill, we shall immediately arrange for payment by telegraphic transfer upon notification by our supplier.

Orders and termination

The annual purchase contracts do not impose any contractual obligation on us to purchase and/or guarantee any minimum purchase volume. Acquisition of master rolls shall be subject to confirmation by our suppliers. Detail terms of the transactions, such as quantity, price as determined by the parties after negotiation, payment terms and delivery date are set out in our individual purchase contracts with our supplier. The circumstances under which our supplier may terminate the annual purchase contracts and the individual purchase contracts thereunder vary with each contract, which include, amongst others, our failure to pay, breach of contract by us, change in our principal equity owner or capital contribution to us by competitor of the supplier, and the occurrence of certain other customary events of default. Under our annual purchase contracts, if our supplier wishes to terminate the processing of master rolls, it shall notify us within a prescribed period prior to the expected termination and discuss with us on how to handle the termination.

Defects and liabilities

Under our annual contract for purchase of master rolls of industrial NDT x-ray film, provided that we notify our supplier of defects in the master rolls within a prescribed period (other than defects which the supplier had informed us previously) and our supplier confirms that the defects had existed during shipment, it may refund the purchase price to us in whole or in part.

Under our annual purchase contract for purchase of master rolls of dental film, unless we object within a prescribed period, it will be deemed that the master rolls fulfilled relevant quantity and exterior packaging requirements. If our supplier confirms that the master rolls contain defects attributable to them which would materially affect our normal processing, they may arrange for refund or other remedial actions, such as price reduction. If the master rolls do not fulfil agreed specifications, our supplier shall exchange the goods within about a few months or in our next purchase order, or provide price reduction.

Under our annual contracts for purchase of master rolls of industrial NDT x-ray film and dental film, for product liability claims brought (or may be brought) in the PRC over the films for certain damages caused by safety defects of the master rolls and infringement of intellectual property rights which are caused by the master rolls, we shall delegate all our authority to handle the claims to our supplier, and our supplier shall exclude us from liability and resolve the claims at its cost, as well as indemnify us for losses arising out of such claims. The indemnification shall be limited to direct losses and limited to the total amount of purchase price received by the supplier during a prescribed period, which means that we shall be responsible for liabilities exceeding the maximum amount of indemnification. On the other hand, for product liability claims and intellectual property rights infringement claims which do not fall within the supplier's responsibility under the annual contracts, we shall exclude our supplier from liability and resolve the claim at our cost, as well as indemnify our supplier for losses arising out of such claims.

Our supplier of master rolls of industrial NDT x-ray film and dental film

All our master rolls of industrial NDT x-ray film and dental film are sourced from the same group of companies from which we currently source master rolls for our other products. Our supplier of master rolls of industrial NDT x-ray film and dental film has headquarters in Japan. Its holding company is listed on the Tokyo Stock Exchange, Osaka Securities Exchange and Nagoya Stock Exchange, as well as the Fortune 500 index for 2012. Such holding company and its subsidiaries operate under an internationally renowned brandname. The name of our supplier is not disclosed in this prospectus as our supplier did not provide consent to our Company for such disclosure. As far as our Directors are aware, it is our supplier's policy to require processors which process industrial NDT x-ray film and dental film from their master rolls for sale under the processors' own brands to not disclose the source of the master rolls on named basis.

We have entered into master contracts with our current supplier for purchase of master rolls of industrial NDT x-ray film and dental film since early 2011. Although there is no long-term commitment on either side to supply and purchase master rolls, our Directors believe that our successful cooperation in the past has cultivated mutual confidence and established a strong foundation for furthering our cooperation in the future. We have extensive experience in managing the sales and marketing of imaging products of our current supplier. Over the years, our processing facilities and management system have met the requirements of our supplier. We also have a management team, technicians and sales and marketing staff who have extensive experience in the photosensitive film industry. Our Directors consider that our successful performance has built a strong foundation for attracting more talents to join us to further improve our business.

Since we launched Yes!Star industrial NDT x-ray film in 2011, we rapidly gained a market share of about 5.4% in the industrial NDT x-ray film market in the PRC in FY2012 by revenue and ranked as one of the top five players in the PRC market in FY2011 and FY2012. As recognized in the Frost & Sullivan Report, whilst there are other companies adopting similar arrangement between us and our supplier of industrial NDT x-ray film master rolls, the quality and cost-effectiveness of our industrial NDT x-ray film surpassed some of our domestic competitors. Our Directors believe that our successful sales channel management strategies, pricing strategies and effective marketing work also contributed to our success. Please also refer to the paragraphs headed "Sales and marketing — Our marketing strategies — Industrial NDT x-ray film and dental film" in this section for further details. Considering our successful cooperation with our supplier, our ability to surpass some of our domestic competitors which adopt similar sourcing arrangements as us and considering that our success can contribute to the sales of master rolls of industrial NDT x-ray film in the PRC by our supplier, our Directors have no reason to believe that our supplier will discontinue cooperating with us, notwithstanding that other companies could be considered to have processing capacities comparable to or higher than ours.

In respect of Yes!Star dental film, since we launched it in 2011, we rapidly became the fifth largest player in the PRC market in 2012, with a market share of about 2.5% by revenue and 4.2% by volume. Considering our record of successful cooperation with our supplier and considering that our success can contribute to the sales of master rolls of dental film in the PRC by our supplier, our Directors have no reason to believe that our supplier will discontinue cooperating with us, notwithstanding that other companies could be considered to have processing capacities comparable to or higher than ours.

Considering the quality of master rolls supplied by our supplier and our experience and expertise in processing master rolls supplied by our supplier, we consider that it is desirable and in the interest of our Group and Shareholders to continue to source master rolls of industrial NDT x-ray film and dental film solely from our current supplier. Our Directors believe that our successful performance in the industrial NDT x-ray film and dental film markets in turn contribute to the sales of master rolls by our supplier in the PRC, thus bringing mutual benefit for both parties.

In the unlikely event that our supplier for master rolls of industrial NDT x-ray film and dental film chooses to alter its existing business arrangements with us, our Directors currently consider our contingency plans may comprise (i) sourcing master rolls of industrial NDT x-ray film from other suppliers and selling the final products under their brands or our own Yes!Star brand; and (ii) tapping into the business of distributing industrial NDT x-ray film for other brands. According to the Frost & Sullivan Report, master rolls of industrial NDT x-ray film for other small market players are mainly imported. Our Directors believe that we may explore the possibility of adopting similar arrangements and source master rolls of industrial NDT x-ray film from these overseas suppliers. In respect of dental film, our Directors currently consider that our contingency plan may comprise sourcing master rolls from other brands and selling the final products under our own Yes!Star brand. According to the Frost & Sullivan Report, there are other local dental film manufacturers in the PRC which currently import dental film master rolls. Our Directors believe that we may explore the possibility of sourcing master rolls of dental film from these overseas suppliers and selling the final products under the Group's own Yes!Star brand. Our Directors consider that we have considerable advantages in marketing industrial NDT x-ray film and dental film under our own Yes!Star brand, given that we have quickly established market presence since their launch in 2011.

Five largest suppliers

During FY2010, FY2011, FY2012 and the five months ended 31 May 2013, purchases from Fujifilm Group (including purchases attributable to our FMCG business) accounted for about 84.2%, 89.0%, 96.6% and 96.3% of our total purchases, respectively. During the same periods, purchases from Fujifilm Group (excluding purchases attributable to our FMCG business) accounted for about 84.2%, 88.8%, 96.6% and 96.3% of our total purchases, respectively. We have cooperated with Fujifilm Group since 2001. Our Directors believe that the relationship between our Group and Fujifilm Group have been and will continue to be good and stable.

Including purchases attributable to our FMCG business, during the Track Record Period, purchases from our largest supplier, a member of Fujifilm Group, accounted for approximately 68.8%, 56.0%, 65.4% and 60.4% of our total purchases, respectively. During the Track Record Period, purchases (excluding purchases attributable to our FMCG business) from a member of Fujifilm Group, our largest supplier, accounted for about 68.8%, 55.8%, 65.4% and 60.4% of our total purchases, respectively. Including purchases attributable to our FMCG business, during the same period, purchases from our five largest suppliers accounted for approximately 90.5%, 96.1%, 97.8% and 97.4% of our total purchases, respectively. During the Track Record Period, purchases from the aforesaid suppliers (excluding the amounts attributable to purchases of FMCG) accounted for about 86.6%, 91.8%, 97.8% and 97.4% of our total purchases, respectively. Purchases from our suppliers during the Track Record Period (excluding Fujifilm Group and the Processing Group) mainly comprised packaging material and FMCG.

Our Director, Ms. Wang Ying, and some of our employees had worked for the Processing Group before joining our Group, which was one of our five largest suppliers in FY2010 and FY2011. None of our Directors or any of their respective associates, or any Shareholder who owned more than 5% of the issued share capital of our Company as of the Latest Practicable Date, held any interest in any of our five largest suppliers during the Track Record Period.

INVENTORY MANAGEMENT

Our inventory mainly comprises color photographic paper, industrial NDT x-ray film, PWB film, medical dry film, medical wet film and dental film and their master rolls. As these items are subject to prescribed storage periods, our inventories are utilized and sold on a first-in-first-out basis. Our color photographic paper and films have a shelf life of about 22 to 36 months from the date of packaging or coating, depending on the type of products. Master rolls are stored in our warehouse under precisely controlled illumination, temperature, humidity and dust levels for prescribed periods of time to prepare the master rolls for slitting and cutting. Our finished products of color photographic paper and films are stored under prescribed conditions until delivery to customers.

We monitor our inventory levels closely to identify slow-moving and obsolete stocks. We conduct monthly stock-take and convene monthly meetings to ascertain appropriate levels of stock for converted color photographic paper, industrial NDT x-ray film, PWB film, medical dry film, medical wet film and dental film and their master rolls. Our purchases of master rolls are driven by typical commercial considerations, such as market conditions, price of master rolls, existing inventory level, our processing capacity and customer demand based on our estimates and confirmed sales orders provided by the sales department.

Based on our internal records, in FY2012, our Directors estimated that the period from the date of the formal purchase order for master rolls to the date of delivery to our factory varied as follows:

Master rolls	**Number of days**
Color photographic paper	Same day
Industrial NDT x-ray film	About 25 to 40
PWB film	Same day
Medical dry film	About 20 to 40
Medical wet film	About 20 to 30
Dental film	About 24 to 74

Based on our internal records, in FY2012, our Directors estimated that the inventory turnover days for our color photographic paper, medical dry film and industrial NDT x-ray film master rolls varied as follows:

Master rolls	**Inventory turnover days** ***(Note 1)***
Color photographic paper	18.6
Industrial NDT x-ray film	147.9
PWB film	*Note 2*
Medical dry film	34.6
Medical wet film	*Note 2*
Dental film	*Note 2*

Notes:

1. Average inventory turnover days for raw materials for FY2012 were calculated as the average raw materials balance of the beginning and ending of the year divided by the cost of sales of the respective year and multiplied by 365 days.

2. Since we only commenced processing PWB film and wet film in late 2012 and our dental film business is still in preliminary stage of development, the inventory turnover days of these products for FY2012 are not set out above.

Based on our internal records, in FY2012, our Directors estimated that the processing time for converting our color photographic paper, medical dry film, medical wet film, PWB film and industrial NDT x-ray film varied as follows:

Master rolls	**Number of days**
Color photographic paper	Same day
Medical dry film	Same day
Medical wet film	1
PWB film	1
Industrial NDT x-ray film	2

We generally formulate our annual budget based on performance in the past year and market conditions, which is reviewed on quarterly and monthly basis. In respect of color photographic paper, industrial NDT x-ray film and dental film, our sales department, procurement department, processing department and material management department convene monthly meetings to formulate the processing and procurement plan for the following month based on, amongst others, existing inventory level, committed procurement volume based on supply contracts with our suppliers, customer demand based on estimates and confirmed sales orders provided by the sales department, market conditions and our processing capacity. They coordinate on an ongoing basis to make adjustments to processing plans where necessary. Our procurement staff is responsible for formulating the procurement plan based on the above factors. The procurement plan for industrial NDT x-ray film master rolls is subject to approval by Ms. Wang Ying, our Director, while the procurement plan for other types of master rolls is subject to approval by our procurement supervisor and general manager. Our procurement supervisor has been engaged by us for logistics-related work over 8 years. She has extensive experience in supply chain management, including coordinating purchases, production, storage, sales and delivery and liaising with customers on logistics matters. Please also refer to the section headed "Directors and Senior Management" in this Prospectus for further details of Mr. Chan To Keung, the general manager of Yestar Technology, Yestar Medical and Yestar Imaging and our Director. Based on the approved procurement plan, our logistics department will arrange for purchase of raw material.

In respect of PWB film, medical dry film and medical wet film, our master sales contracts require our customer to provide its procurement plan to us a few months in advance and confirms orders in the immediately preceding one or two months. We formulate our procurement plan for the requisite raw material based on factors such as the procurement plan from our customer, our inventory of master rolls and finished goods and our processing capacity. Pursuant to our master contract for purchase of master rolls, our purchase requests shall be made to our supplier a few months in advance. During FY2012, we generally maintained inventory level of master rolls of dry film to meet within about 1.5 months' processing need. We currently generally maintain an inventory level of master rolls of PWB film and wet film to meet about a month's production need. Please also refer to the paragraphs headed "Processing — Processing Planning" in this section for details of our processing and procurement planning.

In respect of master rolls of color photographic paper, our largest revenue contributor, we generally provide our preliminary procurement forecast to our supplier a few months in advance. As explained above, since we continually review our internal procurement plans based on factors such as our actual inventory level and customer demand based on estimates and confirmed sales order, our actual purchase orders with our supplier may differ from the procurement forecast we previously provided to our supplier. As more particularly set out in the paragraphs headed "Sales and Marketing — Our marketing strategies — Photo related products and document printing related products" in this section, our branch offices and representative offices provide market analysis on expected demand based on, amongst others, information collected from some of our wholesalers. Our branch offices and representative offices provide the analysis to our Shanghai sales headquarters on a monthly basis. If our sales team forecasts an increase in demand, we may consider to purchase more master rolls in advance. In addition, since our supplier generally discussed changes in the price of master rolls with us about three months or more before the changes were intended to take effect, we may, before such price increases took effect, purchase additional master rolls, after considering various factors such as customer demand, our inventory level and other factors mentioned above. As explained above, our procurement plan for color photographic paper master rolls is subject to approval by our experienced procurement supervisor and Mr. Chan To Keung, our executive Director. We take into account various factors in determining our actual purchase amount to maintain a healthy inventory level. During FY2012, we generally maintained inventory levels of master rolls of color photographic paper to meet within about 20 days' processing need.

During FY2012, we generally maintained inventory levels of master rolls of industrial NDT x-ray film to meet within about a month's processing need.

Inventory provision policy

Pursuant to our inventory provision policy, Yestar Shanghai shall review our provision for inventory on an annual basis, where our other PRC subsidiaries shall review on a biannual basis. Our finance staff is responsible for preparing inventory provision assessment report, which shall be inspected by our finance manager, financial controller and general manager. We shall record provision if the estimate of the net realisable value of any inventory is below the corresponding cost of such inventory. Pursuant to our policy, inventory which has deteriorated, which has expired and has no transfer value, or which has no usage or transfer value shall be considered as inventory loss. Except for provision for inventories of about RMB0.8 million recorded during the five months ended 31 May 2013 due to slow moving of our color film inventories, our Group has not recorded any provision on inventories during the Track Record Period.

RESEARCH AND DEVELOPMENT

From May to August 2012, we relocated our R&D department from Shanghai to our Gaoxin Processing Plant. We also operate a technical services department in Shanghai. Our R&D department is currently responsible for, amongst others, conducting research, participating in product development and improvement, designing the processing know-how for products, formulating processing and equipment maintenance manuals and helping formulate product processing plans and providing after-sales service. We had chosen to station our technical services department in Shanghai to facilitate our recruitment of technical professionals and cooperation with other academic institutions on R&D as there are many universities in Shanghai. As at the Latest Practicable Date, our R&D team consisted of nine members, three of which have 27 to 40 years of experience in the imaging business.

We generally begin our R&D process for a new product by conducting market survey by our sales and marketing department, after which we will prepare the new product standards and specifications, ascertain the processing know-how, process on trial basis, conduct professional tests on our experiment products and provide sample products which pass our experiments to users to test market response. If market response is favorable, we will comply with the procedures for approval and/or registration of our products before engaging in mass processing.

During the Track Record Period, we successfully applied the know-how for processing industrial NDT x-ray film and dental film into ready-to-use sizes and developed the formula for a two-in-one developer-and-fixer working solution for dental films, with our R&D capability and/or through cooperation with a retired teacher of Shanghai Jiao Tong University. Our R&D team, led by an experienced supervisor with experience in development of industrial NDT x-ray film, medical film and relevant processing equipment, had devised and improved the process for processing industrial NDT x-ray film and dental film into ready-to-use sizes. We also collaborated with external consultants to design relevant processing equipment and develop ancillary solvents for Yes!Star dental film. Pursuant to the technology development agreement between our Group and a consultancy company, effective from 15 August 2011 to 15 February 2012, (i) the technology consultant firm should, in accordance with our requirements, relevant specifications or parameter, design an electromechanical device for us and provide us with all relevant blueprints, guidelines for assembling, program editing and testing; (ii) to design the said device, the consultancy company should complete the proposal of design and implementation agreed by the Group before 15 October 2011; (iii) the consultancy company should designate responsible person(s) to communicate and coordinate with us and provide relevant technical guidance to us as well as the manufacturers of the device; (iv) the consultancy company should complete various jobs strictly in accordance with our timetable and should be open to accept our consultation and under our supervision; in case the consultancy company delays in delivering the assigned work, they should pay a penalty to us on a basis of 1% of the commission fee per day; in case the consultancy company's work is delayed for 15 days or more, we can unilaterally terminate the technology development agreement and ask the consultancy company to repay us the paid commission fee plus a penalty equivalent to the full commission fee under the agreement; (v) any technical materials, business information and business secrets of our Group known by the consultancy company should be treated as strictly confidential; (vi) we should, by stages, pay the consultancy company a commission fee of RMB95,000 in total. We have obtained the design of the device under the above agreement and fully paid the commission fee of RMB95,000. As advised by our PRC Legal Advisers, according to this agreement and the relevant PRC laws and regulations in connection with technology development agreements, both our Group and the consultancy company are entitled to use and transfer the technology developed under the above technology development agreement. Pursuant to the technology transfer agreement between our Group and the retired teacher of Shanghai Jiao Tong University, effective from 15 June 2011, (i) the retired teacher shall provide us the production knowhow he owned for (a) developer and fixer processing solution for industrial x-ray film, and (b) two-in-one developer-and-fixer working solution for processing dental film, with the product specifications agreed between the parties, within 10 days from the effective date of the agreement, failing which the retired teacher shall pay a penalty to the Group on a basis of 1% of the technology transfer fee under this agreement; (ii) after the retired teacher provides the said production knowhow with our Group, he would be prohibited from disclosing/transferring the knowhow to any third parties or using the knowhow himself, and should provide our Group any subsequent improvement of the production knowhow under the agreement, failing which he should pay us a penalty equivalent to the full transfer fee under the agreement and further compensate us for all the outstanding loss; (iii) the retired teacher should, for free, provide us with purchasing information for the relevant raw materials and technical guidance in the process of trial production of the relevant products; (iv) in case we, after trial production of the relevant product, determine that the production knowhow under the agreement does not comply with the relevant specifications, we can unilaterally terminate the technology transfer agreement and ask the retired teacher to repay us the paid transfer fee, and to compensate us for all subsequent losses; (v) the Group should pay the retired teacher a transfer fee of RMB70,000 in total. We have obtained the production knowhow under the above agreement and fully paid the transfer fee. As advised by our PRC Legal Advisers, according to the agreement and relevant PRC laws and regulations in connection with technology transfer agreements, the retired teacher is not allowed to disclose or transfer the knowhow to any third parties, or to use the knowhow himself, and should provide our Group any subsequent improvement of the production knowhow under this agreement; while our Group is entitled to use the production knowhow on its own, we should not authorize any third party to use the production knowhow without the retired teacher's prior permission. The two-in-one developer-and-fixer working solution for processing of dental film combines a developing solution and a fixing solution, which are chemicals used at different stages in the processing of dental film. We do not have any current plans to produce ancillary solvents for industrial x-ray film. As at the Latest Practicable Date, we made a patent application for our two-in-one developer-and-fixer working solution for processing of dental film in the PRC, further details of which are set out in the section headed "Further information about the business of our Group — Intellectual property rights of our Group" in Appendix IV to this Prospectus. During FY2010, FY2011, FY2012 and the five months ended 31 May 2013, we incurred R&D costs of approximately RMB0.3 million, RMB1.0 million, RMB1.2 million and RMB0.7 million respectively, respectively, which mainly included staff remuneration and consultancy fees to a company for designing an automated processing equipment for dental film and to the retired teacher of Shanghai Jiao Tong University for providing the production knowhow for ancillary solvents of our products.

UTILITIES

During the Track Record Period, we did not experience any shortage of water and electricity supply which materially affected our operations.

ENVIRONMENTAL MATTERS AND WORKPLACE SAFETY

We are subject to various laws and regulations regarding environment protection, health and workplace safety. Please refer to the section headed "Regulations" of this Prospectus for further information.

Environmental Protection

Our solid waste mainly comprise waste color photographic paper and films and our waste water mainly comprise developer and fixer working solutions. As advised by our PRC Legal Advisers, such wastes are classified as Hazardous Waste under the National Hazardous Waste Catalogue (國家危險廢物名錄). To comply with applicable environmental laws and regulations in the PRC, including Solid Waste Environmental Pollution Prevention Law of the PRC (中華人民共和國固體廢物污染環境防治法) and National Hazardous Waste Catalogue (國家危險廢物名錄), during the Track Record Period, we have duly declared and registered with the relevant environmental protection authority about the types, production quantity, flow direction, storage, treatment and other relevant materials of such hazardous wastes, formulated plans for managing hazardous wastes and measures for keeping away and prepared counter plans against accidents and filed with the relevant environmental protection authority. Also, we disposed hazardous wastes generated in our processing process to a professional waste treatment company, which is qualified to treat hazardous waste and other wastes, from time to time in compliance with applicable environmental laws and regulations in the PRC. During the Track Record Period, our sales of wastes to the waste treatment company amounted to about RMB0.1 million, RMB0.7 million, RMB1.1 million and nil , respectively.

For FY2010, FY2011, FY2012 and the five months ended 31 May 2013, we have incurred about RMB45,000, RMB35,000, RMB122,520 and nil respectively, in expenses related to environmental protection compliance, including fees related to environment protection certification and services related to environment protection.

Since our processing facilities have not caused any material pollution to the environment in the past and our Directors currently do not foresee that our operation will be subject to any significant restrictions or measures with respect to environmental protection laws and regulations in the near future, we have not formulated any detailed plans or set aside a budget to address the potential future risks in relation to environment matters. Further, our Directors confirm that the expected costs of compliance with applicable rules and regulations regarding environmental obligations going forward will be about RMB30,000 for the year ending 31 December 2013.

Our Directors confirmed that save as disclosed in the paragraphs headed "Litigation and legal compliance" in this section, we have complied with the applicable PRC laws and regulations on environmental protection in all material respects. As of the Latest Practicable Date, we had not been subject to any material fines or legal action involving non-compliance with any relevant environmental regulations in the PRC. As of the Latest Practicable Date, we are not aware of any threatened or pending action by any environmental regulatory authority in the PRC.

Workplace safety and health

We supply our employees with different types of protective clothing depending on the employee's job nature, with a current system in place for its management and distribution. We ask our employees to replace old protective clothing with new ones upon the expiry of a specified useable period. We have also adopted occupational health and safety procedures and measures to protect the health and safety of our employees and to ensure that our employees are aware of our safety procedures. These include detail guidelines for handling of accidents caused by machinery and other causes, mechanism for reporting accidents and protective equipment maintenance. Some of these guidelines are developed pursuant to national and local regulations, such as the "Guidelines for enterprises to develop emergency response plan for work place accidents" issued by the State Administration of Work Safety and "南寧市應急預案管理辦法" issued by the Nanning Municipal Government. Our processing manuals also set out safety procedures during the processing process. As a lot of our processing steps are conducted in dim light or complete darkness, we provide extensive training to our processing staff before they are engaged in processing to enhance occupational safety and minimise the possibility of work-related accidents and injuries. In addition, we equip our employees with knowledge on workplace safety through training and tests. To minimize the risks of injuries or accidents caused by hazardous wastes, we implemented formal policies for handling hazardous wastes, such as storage in proper containers, established a committee to handle emergencies and provided detail procedures for reporting accidents. There were no accidents causing death or serious bodily injury in our business operations during the Track Record Period and up to the Latest Practicable Date.

Our Directors confirmed that we have not violated any applicable PRC laws and regulations on workplace safety in any material respects during the Track Record Period.

AWARDS AND CERTIFICATES

The following table sets out a summary of selective awards and certificates we received since our establishment:

Year of grant	Awards/Accreditations	Issued by
2006 - 2009	"Superior enterprise" in the Industrial Production Competition of Nanning Gaoxin District in 2005, 2006, 2007, 2008 (南寧高新區2005, 2006, 2007及2008年度工業生產競賽優勝企業)	Nanning Gaoxin District Management Committee (南寧高新技術產業開發區管理委員會)
2006-2012	Nanning Gaoxin District Integrated Strength Top 20 Enterprises of 2005, 2006, 2007, 2009, 2010 and 2011 (南寧高新區2005, 2006, 2007, 2009, 2010及2011年度綜合實力二十強企業)	Nanning Gaoxin District Management Committee (南寧高新技術產業開發區管理委員會)
2007	First runner up in the Labor Competition of "Innovative Economic Effect Championship" of Nanning, the PRC in 2006 (南寧市2006年度"創新經濟效益杯"勞動競賽銀杯獎)	Nanning government
2007, 2009, 2011, 2012	Nanning Gaoxin District Industrial Enterprises Big Taxpayer of 2006, 2008, 2010 and 2011 (南寧高新區2006, 2008, 2010及2011年度工業企業納稅大戶)	Nanning Gaoxin District Management Committee (南寧高新技術產業開發區管理委員會)
2009, 2010	Nanning Gaoxin District Production Safety Management 2008 and 2010 - Advanced Entity (南寧高新區2008及2010年度安全生產管理先進單位)	Nanning Gaoxin District Management Committee (南寧高新技術產業開發區管理委員會)
2011	China Customs — "A Grade Management Enterprise"	China Customs
	GB/T 19001-2008 idt ISO 9001: 2008 Certificate for the design, development, production and service of Fuji Medical Dry Film	Beijing Hua Guang Certification of Medical Devices Co., LTD
	YY/T 0287-2003 idt ISO 13485: 2003 Certificate for the design, development, production and service of Fuji Medical Dry Film	Beijing Hua Guang Certification of Medical Devices Co., LTD
2012	ISO 13485: 2003 EN ISO 13485: 2012 Certificate for the manufacture of Dental X-ray Film	SGS United Kingdom Ltd — Systems & Services Certification

Year of grant	Awards/Accreditations	Issued by
	Certificate for meeting the requirements of Directive 93/42/EEC on medical devices, Annex V for Dental X-ray Film	SGS United Kingdom Ltd — Notified Body 0120
	ISO 9001: 2008 Certificate for quality management system applicable to sales of industrial film, dental film, prescribed digital imaging products and photofinishing services	Shanghai NQA Certification Co., Ltd

INTELLECTUAL PROPERTY RIGHTS

As at the Latest Practicable Date, we registered 11 trademarks in the PRC and two trademarks in Hong Kong; and applied for registration of one patent in the PRC; and applied for registration of one trademark in Hong Kong. We have also registered six domain names. Please refer to the section headed "Further information about the business of our Group — Intellectual property rights of our Group" in Appendix IV to this Prospectus for further information.

We have also been authorized by Fujifilm Group to use and sublicense the Fujifilm trademark for specific purposes. Please refer to the paragraphs headed "Cooperation with Fujifilm Group in respect of some of our products" in this section and the section headed "Statutory and general information — Further information about the business of our Group — Intellectual property rights of our Group" in Appendix IV to this Prospectus for further information.

During the Track Record Period and up to the Latest Practicable Date, we were not involved in any disputes or litigation relating to the infringement of our intellectual property rights, nor are we aware of any such claims either pending or threatened. Please also refer to the section headed "Risk Factors — Risks Relating to Our Business — Risks associated with the protection and possible infringement of intellectual property rights" in this Prospectus.

INSURANCE

As at the Latest Practicable Date, we maintained insurance policies which covered our offices, warehouses, inventory and equipment. As our products are not consumed by human, our Directors consider that the risks involved with using these products are relatively low. Accordingly, in line with industry practice, we do not maintain product liability insurance over our products.

Social insurance is provided for our employees including insurance for retirement, unemployment, sickness and injury. Our Directors believe that the coverage is adequate for our Group's operation. As at the Latest Practicable Date, we had not been the subject of any insurance claims which are material to us.

Please refer to the paragraphs headed "Litigation and legal compliance" in this section for details of our historical non-compliances with the relevant laws and regulations in the PRC in respect of social insurance.

EMPLOYEES

As of 31 December 2010, 2011 and 2012 and 31 May 2013, we had a total of 530, 649, 703 and 740 full-time staff, respectively. Except for our Chairman, all of our staff are based in the PRC. An analysis of our staff by department as at 31 May 2013 is set forth below:

Department	Number of staff
Sales, marketing and customer service	160
Processing, Quality control and R&D	350
Logistics	67
Finance and Accounting	57
Management, general administration, legal and information technology	106
Total	740

Relationship with staff and training

Our Directors believe that our staff is of one of our most valuable assets and has contributed strongly to our success. We provide in-house training to our staff to enhance their knowledge in operation and safety practice as well as regular training to individual employees according to specific job requirements.

Our Directors believe that we have generally maintained a good working relationship with our staff. Our staff turnover rate remained at about 21% to 34% during the Track Record Period[(Note)]. We have not experienced any significant staff or labor disputes that have disrupted our normal business operations during the Track Record Period.

COMPETITION

During the Track Record Period, all of our revenue was generated from sales in the PRC. As at the Latest Practicable Date, we did not have any concrete plans to engage in sales in overseas markets. Due to the distinctive market features and different market position occupied by us across different product sectors in the PRC, our Directors believe that we face varying levels of competition in different markets in the PRC.

Note: *Staff turnover rate was calculated as the number of resigned employees in the period divided by the sum of the number of existing employees as at the beginning of this period and the number of new employees who joined in that period.*

Color photographic paper

According to the Frost & Sullivan Report, China's color photographic paper market is largely dominated by two international brands, Fujifilm and Kodak, and a local brand, Lucky, all being well-known brands with a long history in the industry. According to the Frost & Sullivan Report, Fujifilm, Kodak and Lucky took up over 84% of the color photographic paper market in the PRC during 2009 to 2012 in terms of both sales volume and revenue. According to the Frost & Sullivan Report, Fujifilm was the leader in the color photographic paper market in the PRC for three consecutive years from 2009 to 2012. Its market share increased in terms of volume and revenue respectively from 32.8% and 33.0% in 2009 to 34.6% and 35.1% in 2011. In 2012, Fujifilm maintained its leading position in the color photographic paper market in terms of both revenue and volume, despite the sales volume of Fujifilm color photographic paper was influenced by anti-Japanese campaign in the PRC during that period and (affected by anti-dumping duties on imported color photographic paper related products) a higher magnitude of increase in average selling price of Fujifilm color photographic paper as compared with that in previous years.

Fujifilm Group has recognized us as the largest authorized distributor of Fujifilm color photographic paper in the PRC since May 2007 and the largest authorized processor of Fujifilm color photographic paper into ready-to-use form in the PRC since June 2009. Fujifilm Group has recognized that since May 2007, nearly all the Fujifilm color photographic paper sold in ready-to-use form in the PRC have been distributed by us, and since June 2009, nearly all the Fujifilm color photographic paper processed into ready-to-use form in the PRC has been processed into ready-to-use form by us. Please refer to the paragraphs headed "Our relationship with Fujifilm Group — Color photographic paper — Our success in enhancing the sales of Fujifilm color photographic paper" and "Our relationship with Fujifilm Group — Color photographic paper — Successful record of processing high quality products meeting the requirements of Fujifilm Group" in this section for further details of the incidences where Fujifilm color photographic paper was distributed or processed by other parties in the PRC during the aforesaid periods. Fujifilm Group has confirmed that since June 2009 and up to the Latest Practicable Date, it has not engaged in processing of Fujifilm color photographic paper into ready-to-use form in the PRC directly nor appointed other processor in the PRC for such operations. Fujifilm Group has also confirmed that since May 2007 and up to the Latest Practicable Date, it has not appointed other distributors for distribution of the aforesaid products in the PRC. Fujifilm Group represented that we had the following advantages compared to our competitors: (i) our processing platform was in the PRC, with low processing cost and high quality; (ii) our sales channel management had helped expand sales of Fujifilm color photographic paper; and (iii) Fujifilm Group had long term cooperation with our Chairman and his family members. Building on our record of successful cooperation, in June 2013, we were awarded exclusive distributorship rights by Fujifilm China Investment for the distribution of Fujifilm color photographic paper in the PRC. As at the Latest Practicable Date, we are not aware of any current plans of Fujifilm Group to engage in sales or processing of Fujifilm color photographic paper into ready-to-use form in the PRC directly or through other authorized distributors or processors in the PRC.

According to the Frost & Sullivan Report, unlike Fujifilm color photographic paper, Lucky and Kodak color photographic paper is processed at Lucky's and Kodak's own factories in the PRC. According to the Frost & Sullivan Report, considering the sales performance of Fujifilm color photographic paper and other small market players, it could be considered that these small market players did not have processing facilities with capacity comparable to ours. Our Directors consider that we compete with other processors, distributors and brands in the color photographic paper market in the PRC in terms of, amongst others, price, quality, brand name, promotion, market penetration and customer services. The sensitivity of color photographic paper to, amongst others, temperature, humidity and dust imposes high requirements and standards for the processing environment. In terms of distributing color photographic paper, the well-established end-user networks of existing market players form a high entry barrier for new players. Our Directors believe that our successful track record of cooperation with Fujifilm Group, our extensive sales network in the PRC, our experienced management team and our quality and cost-effective processing platform will allow us to maintain a competitive position in China's color photographic paper market. According to the Frost & Sullivan Report, the color photographic paper market in the PRC is expected to expand at CAGR of about 4.0% and 9.9% in terms of volume and revenue respectively from 2012 to 2017. Based on the Frost & Sullivan Report, although the proliferation of digital image display applications have a negative impact on the demand of color photographic paper and competition in the minilab color photographic paper market will continue to intensify, demand for professional color photographic paper is expected to increase in the coming few years as the effect of proliferation of digital image display devices is partially offset by expected rise in expenditure on high quality lifestyle products such as professional photograph.

Industrial NDT x-ray film

According to the Frost & Sullivan Report, the industrial NDT x-ray film industry has high entry barriers due to high technology and capital investment requirements. As far as our Directors understand, users of industrial NDT x-ray film are inclined to continue to use an existing brand of industrial NDT x-ray film as different brands operate under different conditions, which may require changes to their processing and work flow. According to the Frost & Sullivan Report, the industrial NDT x-ray film market in the PRC was dominated by Agfa and Carestream in 2012. Since we launched Yes!Star industrial NDT x-ray film in 2011, we rapidly gained a market share of about 5.4% by revenue and 6.2% by volume in the industrial NDT x-ray film market in the PRC in 2012. We also commenced distribution of Fujifilm industrial NDT x-ray film in 2012. We believe that a wider product portfolio will enable us to gain a higher market share by reaching out to a wider spectrum of users. We maintain clearly delineated market, branding and pricing strategies for Yes!Star and Fujifilm industrial NDT x-ray film to target different target customer groups. Our agreement for purchase of master rolls of industrial NDT x-ray film for processing of Yes!Star industrial NDT x-ray film into ready-to-use form and our agreement for distribution of Fujifilm industrial NDT x-ray film in the PRC do not impose any non-competition restriction on us in respect of the sale and processing of these two products. We target Yes!Star industrial NDT x-ray films at low to mid-end customers and sell it at lower price than Fujifilm industrial NDT x-ray film. We currently sell Fujifilm industrial NDT x-ray film to customers who require higher quality industrial NDT x-ray film. According to the Frost & Sullivan Report, although digital techniques have been applied in radiographic testing for years and promoted the usage of filmless radiography technique, its relatively low resolution and less dynamic detection range, as well as the lack of industrial standards to standardize digital detection, have significantly limited the adoption of digital system in the industrial NDT market. According to the Frost & Sullivan Report, industrial NDT x-ray film is expected to continue to prevail in the near future as it outperforms digital techniques.

PWB film

According to the Frost & Sullivan Report, the PWB film market is expected to witness another round of rapid expansion at an estimated CAGR of about 9.9% from 2012 to 2017, driven by rapid expansion in the domestic industry, increasing demand for PWB film from various industries and accelerating innovation in the relevant technique. According to the Frost & Sullivan Report, the PWB film market in the PRC is dominated by three international giants, namely Fujifilm, Kodak and AGFA, which in aggregate accounted for over 90% of the market share in terms of revenue in 2012. According to the Frost & Sullivan Report, Fujifilm enjoyed the largest market share in terms of revenue and volume from 2010 to 2012 with about 34.6% and 35.8% in 2010, 36.0% and 36.0% in 2011 and 37.3% and 36.1% in 2012. According to the Frost & Sullivan Report, there are high entry barriers in production techniques, processing environment and distribution network for PWB film market. We started to process Fujifilm PWB film in late 2012 and are recognized by Fujifilm Group as its largest authorized processor of Fujifilm PWB film into ready-to-use form in the PRC during 2012 and up to the Latest Practicable Date. Fujifilm Group has confirmed that during the Track Record Period and up to the Latest Practicable Date, it has not engaged in processing of PWB film into ready-to-use form in the PRC directly nor appointed other processors in the PRC for such operations. We understand from Fujifilm Group that currently, Fujifilm PWB film is imported from overseas only if the model is not processed by us or we do not have sufficient processing capacity to fulfil demand. According to the Frost & Sullivan Report, considering that our production of PWB film only accounted for a very small share of Fujifilm's total production, it could be considered that there were other companies with processing capacities comparable to or higher than ours.

We understand from Fujifilm Group that, going forward, subject to market demand and our processing capacity, they intend to import PWB film for sale in the PRC only when their customers request for models which are not manufactured by us. Having been selected by Fujifilm Group as its partner for processing Fujifilm PWB film in the PRC, we will strive to build on this new business cooperation to capitalise on the growing opportunities in the PRC together.

Medical dry film

According to the Frost & Sullivan Report, in 2012, China's medical dry film market was dominated by international brands which together accounted for over 90% of the market share in terms of both revenue and volume. According to the Frost & Sullivan Report, in 2012, Fujifilm ranked as the fourth largest player with a market share of about 12.8% by revenue and about 13.1% by volume. Fujifilm Group has recognized that during the Track Record Period and up to the Latest Practicable Date we were the largest authorized processor of Fujifilm medical dry film into ready-to-use form in the PRC. Fujifilm Group has also recognized that nearly all medical dry films sold by Fujifilm Group in the PRC in 2011 and 2012 were processed into ready-to-use form by us. Fujifilm Group has confirmed that during the Track Record Period and up to the Latest Practicable Date, it has not engaged in processing of medical dry film into ready-to-use form in the PRC directly nor appointed other processors in the PRC for such operations. As at the Latest Practicable Date, we are not aware of any current plans of Fujifilm Group to engage in processing of Fujifilm medical dry film into ready-to-use form in the PRC directly or through other authorized processors in the PRC. According to the Frost & Sullivan Report, having considered the factors affecting the medical dry film market in China, including the increase in demand with the increasing aging population, the government's investment on healthcare system and the increase in reliance on diagnosis equipment by physicians for the purpose of decreasing misdiagnosis and reducing probability of physician-patent contradictions, it expected that China's medical dry film market will experience a stable growth in terms of both revenue and volume in the next five years. We believe that our quality processing platform, as well as our long-standing business relationship with Fujifilm Group and our close cooperation on processing will enable us to maintain a stable relationship with Fujifilm Group and together capitalize on the growing opportunities in the PRC medical dry film market.

According to the Frost & Sullivan Report, medical dry film is gradually replacing the medical wet film for its convenience and environmental-friendly features. According to the Frost & Sullivan Report, the medical wet film market in the PRC is a highly concentrated market, which is largely dominated by two giants, namely Carestream and Fujifilm. According to the Frost & Sullivan Report, these two giants took over about 77.8% and 81.6% of the total market in terms of sales volume and revenue in 2012 respectively. According to the Frost & Sullivan Report, Fujifilm was the second largest wet film player in China's market, with market share of about 35.0% and 34.8% in terms of sales volume and revenue in 2012, respectively. We commenced processing of Fujifilm medical wet film in 2012 and are recognized by Fujifilm Group as its largest authorized processor of Fujifilm medical wet film into ready-to-use form in the PRC during 2012 and up to the Latest Practicable Date. Fujifilm Group has confirmed that during the Track Record Period and up to the Latest Practicable Date, it did not engage in processing of medical wet film into ready-to-use form in the PRC directly nor appointed other processors in the PRC for such operations. We understand from Fujifilm Group that, going forward, subject to market demand and our processing capacity, they intend to import medical wet film for sale in the PRC only when their customers request for models which are not manufactured by us.

We understand from Fujifilm Group that before our cooperation, all Fujifilm medical wet films sold in the PRC were imported from overseas. According to the Frost & Sullivan Report, considering that our production of medical wet film only accounted a very small share in Fujifilm's total production in 2012, it could be deduced that there are other companies in the PRC with processing capacities comparable or higher than ours.

Please also refer to the section headed "Risk factors — Risks relating to our business — We face varying levels of competition in different markets" and "Industry overview" in this Prospectus for further details on the risks and competitive landscape in the markets which we operate.

PROPERTIES

As at the Latest Practicable Date, we owned two parcels of land for construction of our Jinkai Processing Plant and entered into three lease agreements for our Gaoxin Processing Plant. Our Directors consider that the above properties to be material to our Groups' business. As at the Latest Practicable Date, we also leased 29 other properties in the PRC which were mostly used for office purposes.

No single property interest that forms part of our non-property activities has a carrying amount of 15% or more of our total assets as at 31 May 2013.

Owned properties

As at the Latest Practicable Date, we owned two parcels of land with a site area of approximately 39,862.16 sq.m. for industrial use in the Nanning Economic & Technological Development Area, Nanning, the PRC. As advised by our PRC Legal Advisers, we have detained the requisite land use title and the relevant land use right. We obtained construction permits for an aggregate construction area of 10,673.37 sq.m. and are in the process of constructing our Jinkai Processing Plant on the land. We completed part of the first phase of the construction in around October 2012. Our PRC Legal Advisers have advised that there is no encumbrance, lien, pledge or mortgage against the land. Our Directors confirmed that to the best of their knowledge, our Group has not committed any violation of environmental laws in the PRC in respect of the above property during the Track Record Period. As advised by our PRC Legal Advisers, save as disclosed in the prospectus, our Directors are not aware of any investigations, notices, pending litigation, breaches of law or title defects in respect of the property.

Leased properties

The table below shows a summary of our leased properties for the Gaoxin Processing Plant:

No.	Brief description of property and permitted use	Area (sq.m.)	Lessee	Lessor	Current rental term	Current monthly rent
1	Office and processing property located at Block 1 and portion of Block 4, No.60 Keyuan Ave, Gaoxin District, Nanning, Guangxi, the PRC	12,140.5	Yestar Technology	Nanning New Technology Entrepreneurs Center (南寧新技術創業者中心)	1 July 2013 to 30 June 2015	RMB57,124 (Subject to adjustment)(Note 2)
2	Office and processing property located at portion of Block 4, No.60 Keyuan Ave, Gaoxin District, Nanning, Guangxi, the PRC*(Note 1)*	715.9	Yestar Technology	Nanning New Technology Entrepreneurs Center (南寧新技術創業者中心)	1 October 2012 to 30 September 2013	RMB5,727.2 (Subject to adjustment)(Note 2)
3	Office and processing property located at portion of Block 4, No.60 Keyuan Ave, Gaoxin District, Nanning, Guangxi, the PRC	4,000	Yestar Medical	Nanning New Technology Entrepreneurs Center (南寧新技術創業者中心)	1 July 2013 to 30 June 2015	RMB72,000 (Subject to adjustment)(Note 2)

Notes:

1. On 4 March 2013, Yestar Technology (as lessee) entered into a lease agreement with Nanning New Technology Entrepreneurs Centre (as lessor) for the lease of the premises for a term from 1 October 2013 to 30 June 2015 at a monthly rent of RMB5,727.2 (subject to adjustment).

2. According to the lease agreements, the lessor may adjust the monthly rental by notifying us in writing. The monthly rent has not been adjusted since the signing of the relevant lease agreement up to the Latest Practicable Date.

As advised by our PRC Legal Advisers, the lessors to the aforesaid leased properties have obtained the relevant building ownership certificates and the relevant lease agreements are legal, valid, enforceable and binding on the parties thereto. The tenancy agreements for the aforesaid leased properties have not been registered with the relevant authorities as the lessor did not arrange for registration of the same and we are unable to proceed with such registration on our own. As advised by our PRC Legal Advisers, non-registration of the lease agreements does not affect their validity and we remain entitled to use the aforesaid properties in accordance with the terms of the lease agreements. We may be subject to a fine ranging from RMB1,000 to RMB10,000 for failure to register a lease agreement within the period prescribed by the relevant authorities. Our PRC Legal Advisers further advised that the risk of being requested to vacate the leased properties due to the failure to register the relevant lease agreements is minimal. As at the Latest Practicable Date, we have not been subject to any administrative penalties for the non-registered leases. Our PRC legal advisers have advised that there is no encumbrance, lien, pledge or mortgage against the aforesaid properties. Our Directors confirmed that to the best of their knowledge, our Group has not committed any violation of environmental laws in the PRC in respect of the above properties during the Track Record Period. Our Directors are not aware of any investigations, notices, pending litigation, breaches of law or title defects in respect of the aforesaid properties.

The table below shows a summary of our other leased properties as at the Latest Practicable Date:

No	Brief description of property and permitted use	Actual use	Area (sq.m.)	Rental term
1	Shop 128, No.3 Lane 66, Guangtong Road, Minhang District, Shanghai (上海市閔行區廣通路66弄3號128門面)	Shop	104.94	From 14 October 2011 to 14 October 2013
2	Room 108, No. 2 Lane 66, Guangtong Road, Minhang District, Shanghai (上海市閔行區廣通路66弄2號108樓上)	Office	42	From 3 January 2012 to 14 October 2013
3	Block 2, South factory area, No.579 Xianghua Qiao, Xiangyang He Road, Qingpu (青浦香花橋向陽河路579號南廠區內2號房)	Office	200	From 21 June 2012 to 20 June 2014
4	2nd Floor, Block 2, South factory area, No.579 Xianghua Qiao, Xiangyang He Road, Qingpu (青浦香花橋向陽河路579號南廠區內2號房2樓)	Office	350	From 10 May 2012 to 9 May 2014

No	Brief description of property and permitted use	Actual use	Area (sq.m.)	Rental term
5	Block 3, South factory area, No.579 Xianghua Qiao, Xiangyang He Road, Qingpu (青浦香花橋向陽河路579號南廠區內3號房)	Office	450	From 1 April 2012 to 31 March 2014
6	Room 801-809, No.2 Lane 58, Jiandong Road, Shenzhuang Town, Minhang District, Shanghai (上海市閔行區莘莊鎮建東路58弄2號801-809室)	Office	852.34	From 1 April 2013 to 31 March 2016
7	Room 204, 205, Miaojin Commerce Building, 58 Miaojin Road, Minhang District, Shanghai (上海市閔行區廟涇路商務大樓廟涇路58號204、205室)	Office	68	1 February 2013 to 31 January 2015
8	Room 1001B, Zhi Jun Building, No. 96 Fengqi Road, Hangzhou 杭州市鳳起路96號之俊大廈1001室B座	Residence	76.1	November 1, 2012 to October 31, 2013
9	No.5 Xuefu Road, Nangang District, Harbin (哈爾濱市南崗區學府路5號)	Office	83	From 25 February 2013 to 24 February, 2014
10	Room 916, 9th Floor, Gaoke Building, No.52 Gaoxin Road, High-tech District, Xi'an (西安高新區高新路52號高科大廈九層916房間)	Office	138	From 1 July 2013 to 30 June 2014
11	Room 802-2, 8th Floor, Block 3, Dongding Building, Xuanwu District Nanjing (南京市玄武區東鼎大廈三號樓八層802-2室)	Office	129	From 22 November 2011 to 21 November 2013
12	Room 1506, Unit Block A, Xinyue Garden, Shuncheng Street (順城街新月花園A棟單元1506號房)	Office	141.06	From 15 November 2012 to 14 November 2013

No	Brief description of property and permitted use	Actual use	Area (sq.m.)	Rental term
13	21P, 21Q&21R, Tower Building, First World Plaza, Junction of Hongli West Road and Xinzhou Road, Futian District, Shenzhen (深圳市福田區紅荔西路新洲路交界第壹世界廣場塔樓21P、21Q、21R)	Office	139.44	From 20 March 2012 to 19 March 2014
14	Unit 17C, Dormitories of Beverage Plants, West Taibao Street, Yingze District, Taiyuan (太原市迎澤區西太堡街飲料廠宿舍17C戶)	Office	101	From 10 March 2013 to 9 March 2014
15	Room 1, 20th Floor, No.186 Xinhua Road, Jianghan District, Wuhan (武漢市江漢區新華路186號第20層1號房)	Office	150.65	From 1 November 2011 to 31 October 2013
16	3-4-102, No.88 Jinshan Avenue, Dongxihu District, Wuhan (武漢市東西湖區金山大道88號3-4-102)	Warehouse	200	From 21 May 2013 to 20 May 2014
17	Room 12E, No. 448 Dong Feng Middle Road, Guang Zhou 廣州市東風中路448號12E房號	Office	72.24	16 July 2013 to 1 July 2014
18	Block B, 21st Floor, No.58 Beixin Street, Chengdu (成都市北新街58號21層B座)	Office	200.89	From 16 July 2012 to 15 July 2014
19	Unit 15D, Block B, Huakai Fugui, No.36 Dongda Road, Gulou District, Fuzhou (福州鼓樓區東大路36號花開富貴B座15D單元)	Office	141.22	From 1 March 2013 to 28 February 2014
20	Room 2003, Yugang Building, No.83 Minggong Road, Erqi District, Zhengzhou, Henan (河南省鄭州市二七區銘功路83號豫港大廈2003室)	Office	109.81	From 15 July 2013 to 14 July 2014

No	Brief description of property and permitted use	Actual use	Area (sq.m.)	Rental term
21	Storeroom at #6F Lift North side, No.119 Tianhou Gong Road, Dadong District, Shenyang (瀋陽大東區天后宮路119號6層電梯北側庫房)	Warehouse	10	From 15 September 2013 to 14 March 2014
22	Room 601 & 602, Shenxin Dongxiang Mansion, No. 119 Tianhou Gong Road, Dadong District, Shenyang (瀋陽大東區天后宮路119號瀋信東祥601、602室)	Office	101.7	From 15 September 2013 to 14 March 2014
23	Room D, No. 9 Nanjing Road, Shi Nan District, Qing Dao 青島市市南區南京路9號第D室房間	Office	116	October 12, 2012 to October 11, 2013
24	Room 410A, Wang Fu Century Plaza, No.55 Dong'anmen Avenue, Dongcheng District, Beijing (北京市東城區東安門大街55號王府世紀大廈410A室)	Office	180	From 24 October 2012 to 23 October 2013
25	3rd Floor Storeroom, Haige Warehouses, No.8 Building, China-ASEAN Advanced Business Park Phase II, No.3 Zongbu Road, Hi-tech District, Nanning (南寧市高新區總部路3號中國-東盟企業總部基地二期8號樓海格物流倉庫三樓庫房)	Warehouse	2,000	From 16 May 2013 to 31 December 2013
26	13C-2, Tower Building, First World Plaza, Junction of Hongli West Road and Xinzhou Road, Futian District, Shenzhen (深圳市福田區紅荔西路新洲路交界第壹世界廣場塔樓13C-2)	Office	100	From 25 October 2012 to 24 October 2013
27	Room 1302, No 15, Sub Lane 111, Lane 7580, Hu Min Road, Min Hang District 閔行區滬閔路7580弄111支弄15號1302號	Residence	109.02	January 20, 2013 to January 19, 2014

No	Brief description of property and permitted use	Actual use	Area (sq.m.)	Rental term
28	Room 403, No. 39, Lv Mei Yi Cun, Xin Bei Road, Min Hang District 閔行區莘北路綠梅一村39號403室	Residence	47.99	November 1, 2012 to October 31, 2013
29	Room 404, No.2 Yangkou Road, Shi Nan District, Qingdao 青島市南區仰口路2號404戶	Residence	61.25	March 15, 2013 to Marche 14, 2014

As advised by our PRC Legal Advisers, save as explained below, the lessors to all of our leased properties have obtained the relevant building ownership certificates or other proof of ownership and the relevant lease agreements are legal, valid, enforceable and binding on the parties thereto.

In respect of property no. 7 above, the name of the land use right owner as shown on the ownership certificate was different from the name of our lessor. According to a written explanation issued by the local government and local construction quality management station, after the restructuring of the land use right owner, the relevant land was returned to the local government and another entity was delegated with the relevant leasing and management responsibilities. According to an authorization letter issued by the entity, our lessor was delegated with the relevant leasing and management responsibilities. We are advised by our PRC Legal Advisers that the lease agreement is compliant with relevant laws in the PRC and binding on the parties thereto. As advised by our PRC Legal Advisers, we are entitled to claim damages against the lessor in accordance with the requirements under the lease agreement and applicable laws if the lessor does not have the right to lease the property. As of the Latest Practicable Date, we have not been subject to any dispute with the lessor or any third parties in respect of the lease of the aforesaid property.

In respect of properties no. 11, 14 and 25, we have not been provided with the current title ownership certificates or documents evidencing the authorization or consent of the owners to the lease agreements. We are advised by our PRC Legal Advisers that the lease agreements are compliant with relevant laws in the PRC and binding on the parties thereto. As advised by our PRC Legal Advisers, we are entitled to claim damages against the lessors in accordance with the requirements under the lease agreements and applicable laws if the lessors do not have the right to lease the properties. As of the Latest Practicable Date, we have not been subject to any dispute with the lessors or any third parties in respect of the lease of the aforesaid properties.

In respect of properties no.15 and 23, although we have not been provided with the relevant title ownership certificates, we have been provided with the relevant purchase agreement or invoice for the purchase of the properties by the lessors. As advised by our PRC Legal Advisers, since the lessors can obtain building ownership certificates for the properties after they fulfill their obligations under the relevant purchase agreements, the lease agreements do not violate PRC laws, the lessors are entitled to lease the properties to us and we are entitled to use the property during the term of the lease agreement in accordance with PRC laws.

In respect of property no. 16, the address of the property is the same as the address of the lessor as shown on its business registration certificate. As advised by our PRC Legal Advisers, an entity is required to submit its title ownership certificate or (if the lessor is not the owner of the relevant property) the lease agreement and title ownership certificate of the owner to the business registration authority when applying for business registration in the PRC. On this basis, our PRC Legal Advisers have advised us that they reasonably believe that the business registration authority had inspected the documents showing the lessor's ownership or right to use the property for the purpose of approving its business registration. As of the Latest Practicable Date, we have not been subject to any dispute with the lessor or any third parties in respect of the lease of the aforesaid property. As advised by our PRC Legal Advisers, they considered that the lessor is entitled to lease the property to us, the lease agreement is legal, valid, enforceable and binding on the parties thereto.

Except the leased property no. 17 and 26, all the other tenancy agreements for the leased properties above have not been registered with the relevant authorities as the lessor did not arrange for registration of the same and we are unable to proceed with such registration on our own. As advised by our PRC Legal Advisers, non-registration of the lease agreements does not affect their validity and we remain entitled to use the aforesaid properties in accordance with the terms of the lease agreements. A fine ranging from RMB1,000 to RMB10,000 may be imposed on the parties for failure to register a lease agreement within the period prescribed by the relevant authorities. As at the Latest Practicable Date, we have not been subject to any administrative penalties for the non-registered leases.

We believe that most of the leased properties above occupied by us can, if necessary, be replaced by other comparable alternative premises without any material adverse effect to our operations and none of the properties with registration or (potential) title defects are crucial to our business. As of the Latest Practicable Date, we have not been subject to any dispute with the lessors or any third parties in respect of the lease of the aforesaid properties.

As the registration or (potential) title defects in properties disclosed in this section relate to leased properties owned by Independent Third Parties, we are not in a position to obtain the outstanding certificates on the relevant lessor's behalf or proceed with the outstanding registration procedures on our own. Our Directors are unable to ascertain whether there are any legal impediments on the relevant lessor to obtain the outstanding certificates or complete the outstanding registration.

In the event that the relevant PRC authorities determines that our Group as lessee, instead of the relevant lessors, to be fully liable for the failure to register the aforesaid lease agreements, on the basis that we have entered into a total of 30 tenancy agreements which have not been registered and a fine ranging from RMB1,000 to RMB10,000 may be imposed in respect of each such agreement, our Directors estimate the maximum potential liabilities to our Group, in monetary terms, to be RMB300,000.

LITIGATION AND LEGAL COMPLIANCE

Our Directors confirmed that we have obtained all material licenses, approvals and permits that are necessary to conduct our business operations as at the Latest Practicable Date from the relevant government authorities in the PRC, all of which are valid and current. Our Directors further confirmed that since the commencement of our business, save as disclosed below, we have not violated the applicable laws and regulations in the PRC in any material respect.

Please also refer to the section headed "Regulations" in this Prospectus for further details of the applicable laws and regulations.

	Non-compliance incident(s)	Legal consequences	Financial impact	Reason(s) and person(s) involved in the non-compliance	Rectification actions and measures to ensure on-going compliance	Personnel in charge of the rectification
1.	Yestar Medical developed a small amount of dental film and two-in-one developer-and-fixer working solution at our R&D center in Shanghai, the PRC and sold them through Yestar Shanghai from around January 2011 to April 2012, without the necessary approvals and registration, which resulted in the following non-compliances:	If subject to any investigation, disciplinary actions or rectification:	In light of the advice of the PRC Legal Advisers, no provision was made in our financial statements.	The non-compliance was due to the lack of communication between our R&D department, sales staff and our legal department. Our R&D center was led by our R&D supervisor at the relevant time.	Yestar Medical ceased to conduct business at the R&D center in around April 2012 and relocated the processing operations for dental film to the Gaoxin Processing Plant between May and August 2012. In November and December 2012, we adopted: (a) internal policies to ensure compliance with regulatory requirements, which included, amongst others: (i) all executive Directors shall attend monthly meetings to approve new projects in relation to processing lines, R&D activities, products and construction; (ii) our technical services department shall liaise with relevant departments to prepare feasibility studies at the outset of each new project regarding design and development of new products and changes to processing know-how. The feasibility studies shall include analysis of applicable laws and regulations by our legal department, which shall consult external advisers if necessary; (iii) feasibility studies shall be subject to review by the general manager of the relevant subsidiary and our legal department and (iv) each stage of the projects shall be monitored by designated members of our staff; and (b) on-going training for our top and mid-level management and our legal staff as further detailed below.	All new projects shall be reviewed by the general manager of the relevant subsidiary (currently, being Mr. Chan To Keung, an executive Director), as well as Ms. Tang Zhonghua ("Ms. Tang"), our legal executive and Ms. Zhang Qi , an executive Director, before approval by all the executive Directors. The qualifications of our Directors are set out in the section headed "Directors and Senior Management" in this Prospectus. Ms. Tang obtained a law degree at East China Normal University in 2007. She has been our legal executive since 2007.
	(a) Yestar Medical's engaging in actual processing and business operation in places other than its domicile in Nanning, Guangxi Province without proper registration of its branch;	(a) banning of the R&D center's business, confiscation of its revenue and maximum fine of RMB20,000;				
	(b) Yestar Medical exceeded its approved and registered business scope which was "the processing, production and sale of medical dry films (medical devices under Class I)(For the products involving licenses and special management, handle in accordance with the relevant regulations of the State). (For the projects involving permits, operate with the permits within the expiration date.)";	(b) effect registration within the prescribed period, failing which Yestar Medical may be subject to a fine ranging from RMB10,000 to RMB100,000;				
	(c) Yestar Medical's failure to undertake the relevant environmental approval procedures for the construction of the R&D center *(Note)*;	(c) undertake the relevant environmental approval procedures within the prescribed period, failing which Yestar Medical may be required to stop the construction of the R&D center and be imposed with a maximum fine of RMB100,000; and				

Note: These requirements do not apply to the sales of dental film and two-in-one developer-and-fixer working solution.

	Non-compliance incident(s)	Legal consequences	Financial impact	Reason(s) and person(s) involved in the non-compliance	Rectification actions and measures to ensure on-going compliance	Personnel in charge of the rectification
	(d) Yestar Medical's failure to conduct environmental protection assessment before commencement of manufacturing in the R&D center *(Note)*; and	(d) Yestar Medical may be required to cease processing and be imposed with a maximum fine of RMB100,000.				
	(e) Yestar Medical's failure to obtain approval by the relevant local development and reform commission.	(e) No explicit stipulation of any of the legal consequence of such non-compliance under the relevant PRC law.				
		Based on the advice of the PRC Legal Advisers, Yestar Medical may be subject to a maximum fine of RMB320,000. According to the PRC Legal Advisers, as Yestar Medical has not been subject to any investigation, disciplinary actions or rectification notices from the relevant authorities, and Yestar Medical has ceased business at the R&D center in Shanghai, the risk of Yestar Medical being penalized retrospectively by the authorities was minimal.				
2.	Construction of part of the Jinkai Processing Plant (2,024.76 sq.m.) by Yestar Imaging before obtaining the requisite construction permit.	If the relevant authority finds that the construction does not comply with the requisite requirement, cessation of construction and a maximum fine of RMB30,000 may be imposed. According to the PRC Legal Advisers, since Yestar Imaging obtained the requisite construction permit in November 2012, which means the competent authority has officially recognized and approved the commencement of construction, Yestar Imaging will not be subject to any adverse legal consequence as a result of the non-compliance.	In light of the advice of the PRC Legal Advisers, no provision was made in our financial statements.	Unintended and inadvertent omission of our administrative staff in the preparation of the construction project.	Yestar Imaging obtained the construction permit in November 2012. The internal policies adopted by us in November and December 2012 in relation to the R&D center and training policies also apply to prevent this type of non-compliance incidents from recurring.	Same as above.

Note: These requirements do not apply to the sales of dental film and two-in-one developer-and-fixer working solution.

	Non-compliance incident(s)	Legal consequences	Financial impact	Reason(s) and person(s) involved in the non-compliance	Rectification actions and measures to ensure on-going compliance	Personnel in charge of the rectification
3.	Use of the following facilities before obtaining the requisite environmental protection approvals from the relevant authorities: (a) the facilities for industrial NDT x-ray film and expansion of processing capacity by Yestar Technology; (b) some of the facilities for color photographic paper; (c) the facilities for color film; and (d) the facilities for processing and/or production of medical wet film, dental film and x-ray film developer and fixer working solution by Yestar Medical.	Yestar Technology may be ordered to rectify within a prescribed time limit, failing which the relevant authorities can order to stop the processing and to pay a maximum fine of RMB100,000. Yestar Medical may be ordered to rectify within a prescribed time limit, failing which the relevant authorities can order to stop the processing and to pay a maximum fine of RMB100,000. Based on the advice of the PRC Legal Advisers, we may be subject to a maximum fine of RMB200,000. According to the PRC Legal Advisers, since Yestar Technology and Yestar Medical had obtained the requisite environmental protection approvals, which mean the competent authority has officially recognized and approved the use of the above facilities, Yestar Technology and Yestar Medical will not be subject to any adverse legal consequences as a result of the non-compliance.	In light of the advice of the PRC Legal Advisers and the amount of the potential fines not being material, no provision was made in our financial statements.	Unintended and inadvertent omission of our administrative staff in handling the matters relating to environmental protection approvals.	Yestar Technology and Yestar Medical respectively obtained the requisite environmental protection approvals in December 2009 and December 2012. In November and December 2012, we adopted: (a) internal policies to ensure compliance with regulatory requirements, which included, amongst others: (i) all executive Directors shall review feasibility studies for new projects and attend monthly meetings to approve new projects in relation to, amongst others, processing lines and construction; (ii) our technical services department shall liaise with relevant departments to prepare feasibility studies at the outset of each new of such projects. The feasibility studies shall include analysis of applicable laws and regulations by our legal department, which shall consult external advisers if necessary; (iii) feasibility studies shall be subject to review by the general manager of the relevant subsidiary and our legal department and (iv) each stage of the projects shall be monitored by designated members of our staff; and (b) on-going training for our top and mid-level management and our legal staff as further detailed below.	Same as above

	Non-compliance incident(s)	Legal consequences	Financial impact	Reason(s) and person(s) involved in the non-compliance	Rectification actions and measures to ensure on-going compliance	Personnel in charge of the rectification
4.	From July 2011 to June 2012, Yestar Technology, Yestar Medical and Yestar Imaging calculated the contributions to the social insurance based on rates determined by them according to the ranking of their employees, instead of based on their average monthly income of the preceding year as required under the relevant PRC law and regulations. The total amount of unpaid social insurance contribution during the aforesaid period amounted to about RMB489,000. The amount has not been settled.	The relevant authorities may order the payment of the outstanding contributions within a prescribed time limit, and (a) for non-compliance before 1 July 2011, daily arrearage of 0.2% on the outstanding contributions from the due date of payment; and (b) for non-compliance on or after 1 July 2011, daily arrearage of 0.05% on the outstanding contributions from the due date of payment within a prescribed period, failing which the relevant authorities can impose a fine of one to three times of the outstanding contributions (and accrued arrearage). As advised by our PRC Legal Advisers, according to relevant PRC laws theoretically, (i) the relevant authorities can, retrospectively, impose such fine on Yestar Technology, Yestar Medical and Yestar Imaging within a period of two years from June 2012 (when Yestar Technology, Yestar Medical and Yestar Imaging stopped the non-compliances); and (ii) after this period, the relevant authorities should not impose such fine on Yestar Technology,Yestar Medical and Yestar Imaging any more. As advised, in an on-site interview, by the Head of Policy Consulting Division of Nanning Social Security Bureau, which is the competent authority in charge of Yestar Technology, Yestar Medical and Yestar Imaging in this regard, (i) in their practice, the authority doesn't deem the nominal non-compliance incidents such as that happened to Yestar Technology, Yestar Medical and Yestar Imaging as violation of relevant laws and regulations; (ii) the authority won't positively impose any penalty on Yestar Technology, Yestar Medical and Yestar Imaging for such incidents; and (iii) without an arbitral decision or a court's verdict, the Company can only pay the overdue social insurance contributions which are due six months backwards. Pursuant to the above policies of the competent authority, as all relevant outstanding social insurance contributions of Yestar Technology, Yestar Medical and Yestar Imaging are due before the end of June 2012, Yestar Technology, Yestar Medical and Yestar Imaging cannot and will not pay such contributions before the Company's listing.	As at the Latest Practicable Date, our Directors estimate that we may be required to pay outstanding contributions and arrearage of about RMB0.6 million in total if ordered by the relevant authorities to pay the outstanding contribution. If we fail to pay the requisite amount within the prescribed time limit imposed by the relevant authorities, our Directors estimate that we may be required to pay outstanding contributions, arrearage and maximum fine of about RMB2.6 million based on the calculation as at the Latest Practicable Date. Provision of RMB249,000 was made in our financial statements for FY2012 (FY2011: RMB241,000). However, as amount was immaterial, our Directors are of the view that the non-compliance has no substantive impact on our business operations.	Mobility of our processing workers and most of our employees' preference to pay at a lower rate.	In June 2012, Yestar Technology, Yestar Medical and Yestar Imaging began to calculate and contribute to the social insurance based on their employees' average monthly income of the preceding year as required under the relevant PRC law and regulations. In November 2012, Yestar Technology, Yestar Medical and Yestar Imaging adopted internal policies to ensure compliance with the relevant PRC law and regulations, which include, amongst others: (a) using the correct calculation basis for social insurance contributions, (b) recording and review of relevant information by our human resources department, including monthly review of our staff list and payable amounts, monthly verification of actual payments; (c) annual review of actual payments and calculation basis by our human resources supervisor and remuneration management personnel, respectively, and (d) submission of review reports to our independent non-executive Directors after Listing.	(a) Mr. Chan To Keung, an executive Director, the general manager of Yestar Technology, and the general manager and chairman of each of Yestar Medical and Yestar Imaging, (b) Ms. Heng Yinmei, an executive Director, and (c) Ms. Wang Hong, an executive Director and our chief financial officer, and (d) Ms. Zhang Qi, an executive Director, will be responsible for overseeing the implementation of the internal control policies. These Directors' qualifications and experience are set out in the section headed "Directors and Senior Management" of this Prospectus.

	Non-compliance incident(s)	Legal consequences	Financial impact	Reason(s) and person(s) involved in the non-compliance	Rectification actions and measures to ensure on-going compliance	Personnel in charge of the rectification
5.	Yestar Technology, Yestar Medical and Yestar Imaging failed to contribute to the housing fund for some of its employees since their respective dates of establishment to 2011.	The relevant authority may order the payment of outstanding contributions within a prescribed time limit, failing which the authorities may apply to the court for compulsory execution. According to the PRC Legal Advisers, Yestar Technology, Yestar Medical and Yestar Imaging are not subject to any risk of penalty in this regard because Yestar Technology, Yestar Medical and Yestar Imaging paid the outstanding amounts in March 2012.	As Yestar Technology, Yestar Medical and Yestar Imaging have already paid the outstanding amounts, no provision was made in our financial statements.	Mobility of our processing workers and reluctance of many employees to contribute to the housing fund.	In March 2012, Yestar Technology, Yestar Medical and Yestar Imaging paid all outstanding housing fund contributions in respect of the previous years. Yestar Technology, Yestar Medical and Yestar Imaging paid the requisite housing fund in accordance with the relevant regulations in August 2012. In November 2012, Yestar Technology, Yestar Medical and Yestar Imaging adopted internal policies to ensure compliance with the relevant PRC laws and regulations, which included, amongst others (a) calculation of housing fund contributions based on the total number of staff, which shall be recorded by our human resources department, (b) recording and review of relevant information by our human resources department, including monthly review of our staff list and payable amounts, monthly verification of actual payments; (c) annual review of actual payments and calculation basis by our human resources supervisor and remuneration management personnel, respectively, and (d) submission of review reports to our independent non-executive Directors after Listing.	Same as above
6.	Failure by Yestar Shanghai to issue prescribed invoices in accordance with PRC law for some of its sales. Such sales amounted to about RMB109.7 million, RMB92.9 million and RMB35.3 million in FY2010, FY2011 and FY2012, respectively.	Yestar Shanghai may be ordered to rectify the non-compliance and to pay a maximum fine of RMB10,000. Our Directors confirm that we have filed tax returns in respect of the revenue attributable to the sales without invoices and did not avoid tax liabilities for such sales *(Note)*. The relevant PRC tax bureaus have issued confirmations on our tax payments during the Track Record Period, without referring to any tax penalties on Yestar Shanghai. Based on the PRC Legal Advisers' enquiry through governmental hotlines for taxation matters, the tax authorities typically would not impose penalties on sales without invoice if the relevant tax liabilities have been paid in full. The PRC Legal Advisers therefore advised that the risk of Yestar Shanghai being subject to retrospective penalties was minimal.	In light of the advice of the PRC Legal Advisers and the risk of Yestar Shanghai being subject to retrospective penalties being minimal, no provision was made in our financial statements.	Mainly because our customers did not require invoices.	Yestar Shanghai adopted: (a) internal policies for the management of invoices by its finance department in December 2012, which included, amongst others (i) requirement for financial officers to issue invoices regardless of whether the customers require invoices or not, (ii) monitoring of the amount of blank invoices, (iii) timely purchases of blank invoices when necessary; (iv) checking the invoiced amount, revenue recorded in our accounting records, our revenue breakdown recorded on the Government's Value Added Tax Anti-counterfeiting Control System and tax returns on a monthly basis to ensure their consistency and completeness; and (v) approval of our tax returns by our responsible finance officers before submission; and (b) on-going training for our top and mid-level management and our legal staff as further detailed below.	Ms. Wang Hong, our executive Director, will be responsible for overseeing the implementation of the internal control policies. Her qualifications are set out in the section headed "Directors and Senior Management" in this Prospectus.

Note: Our Directors confirmed that we recorded revenue based on the terms of sales agreements and that revenue for sales without invoices was properly recorded. Please refer to the section headed "Financial information - Basis of Presentation - Revenue recognition" and the section headed "Summary of Significant Accounting Policies" in Appendix I to this Prospectus for details of our revenue recognition policy. Our Directors further confirmed that at the end of each month, value-added tax would be declared in the online value-added tax system based on the revenue recorded for the relevant month and that the sales without invoices were fully included in the monthly value-added tax returns.

	Non-compliance incident(s)	Legal consequences	Financial impact	Reason(s) and person(s) involved in the non-compliance	Rectification actions and measures to ensure on-going compliance	Personnel in charge of the rectification
7.	Failure by Yestar Shanghai to issue invoices to appropriate customers for certain insignificant payments in accordance with PRC law. Such sales amounted to about RMB3,000 only.	Yestar Shanghai may be ordered to rectify and to pay a maximum fine of RMB 10,000. Based on the PRC Legal Advisers' enquiry through governmental hotlines for taxation matters, such non-compliance was not considered a non-compliance regarding tax payment and the tax authority typically would not impose penalties as a result. As advised by our PRC Legal Advisers, the relevant governmental body which responded to the telephone enquiry is a competent governmental body and has authority to provide the aforesaid explanation. As advised by our PRC Legal Advisers, the relevant branch company of Yestar Shanghai received confirmations issued by the competent tax authorities in the PRC confirming that the relevant branch duly filed tax returns and made tax payments and that they were not aware of any disciplinary records imposed on the relevant branch for non-compliances regarding taxation matters due during the Track Record Period. The relevant branch company of Yestar Shanghai has informed the local tax bureau of the above non-compliance in writing, while, Yestar Shanghai has not been subject to any investigation, disciplinary actions or rectification notices from the relevant authorities. Based on the above, the PRC Legal Advisers considered that the risk of Yestar Shanghai being penalised was minimal.	In light of the advice of the PRC Legal Advisers and the risk of Yestar Shanghai being subject to penalties being minimal, no provision was made in our financial statements.	As we provided rebates to our wholesalers in the form of products, the value of our products may exceed the exact amount of their respective rebate entitlement. Since our wholesalers may not require invoices for the insignificant amounts that they paid us to make up the differences, in order to issue invoice for our own records, we issued consolidated invoices without setting out the names of our customers for insignificant payments by different customers.	The internal policies adopted by us in December 2012 in relation to the management of invoices as described above (which requires, amongst others, (i) our financial officers to issue invoices regardless of whether the customers require invoices or not, and (ii) checking the invoiced amount, revenue recorded in our accounting records, our revenue breakdown recorded on the Government's Value Added Tax Anti-counterfeiting Control System and tax returns on a monthly basis to ensure their consistency and completeness) and on-going training for our top and mid-level management and our legal staff as described below also apply to prevent to this type of non-compliances from recurring.	Same as above

As advised by our PRC Legal Advisers, since the non-compliant incidents had ceased and we have subsequently obtained the requisite licenses, registrations and approvals necessary for our continuing operations as explained above, our relevant operations had been recognized by the relevant authorities. Our PRC Legal Advisers are of the view that none of the aforesaid non-compliances will have an adverse impact on our renewal of necessary qualifications for our processing and operation.

In order to improve our corporate governance and prevent future non-compliance, we have adopted or will adopt the following measures:

1. we engaged an external consultant to review and give advice on our internal controls. The external consultant is experienced in providing advisory services and have provided advice in respect of internal control and risk management in a number of listing projects. Their scope of work included, amongst others, the review of our internal controls relating to invoice and human resources management in 2011 and 2012 and invoice management in 2012. Based on their review and recommendations, our Directors confirmed that we adopted, amongst others, internal policies and procedures to ensure compliance with the relevant laws and regulations regarding invoice management, social insurance and housing fund;

2. we engaged a professional management consultancy company to provide training to our top and mid-level management in March and April 2012 to enhance their understanding of ISO:9000 quality management standards. The training was provided by a consultant who has been accredited as a registered senior consultant by the PRC government and possessed extensive experience in consultancy services;

3. regular on-going trainings will continue to be provided to our Directors, senior management and legal staff by external professional advisers on compliance with relevant laws and regulations, including but not limited to, timely payment of housing fund and social insurance on calculation basis prescribed under the applicable laws and regulations, timely application for the requisite permits for construction projects, timely application for the requisite environmental protection approvals and issue of prescribed invoices under PRC law;

4. we have engaged and will from time to time engage external professional advisers, including auditors, legal advisers in the PRC and Hong Kong and/or other advisers to render professional advice on compliance with applicable legal requirements. As at the Latest Practicable Date, we have engaged Woo, Kwan, Lee & Lo and Jingtian & Gongcheng as our legal advisers as to Hong Kong law and PRC law, respectively, for the Listing. We also intend to engage Haitong as our compliance adviser to advise our Directors and management team on matters relating to the Listing Rules for the term commencing on the Listing Date and ending on the date of dispatch of the annual report of our Company in respect of our financial results for the first full financial year commencing after the Listing Date; and

5. in July 2012, we established an internal control department, comprising two members from our internal audit department including Mr. Luo Xi ("Mr. Luo"), the head of our internal audit department. Mr. Luo obtained an accounting degree at Shanghai Lixin University of Commerce in 2012. He has been an audit supervisor of our Group since 2009. The internal control department will be responsible for overseeing the internal control procedures of our Group and shall report to our Audit Committee directly. The internal control department shall oversee our financial reporting and internal control procedures by:

   (i) reviewing our internal control and legal compliance status;

   (ii) discussing our internal control systems with our management to ensure that our management has performed its duty to maintain an effective internal control system; and

   (iii) considering any major investigation findings on internal control matters as delegated by our board of Directors or on its own initiative, as well as reviewing our management's response to these findings.

As the reasons for the non-compliance incidents have been identified, targeted rectification measures have been put in place and members of our management team have received training to ensure on-going compliance, our Directors are of the view that the above enhanced internal control measures are adequate and effective under Rule 3A.15(5) of the Listing Rules.

Furthermore, having considered the facts and circumstances leading to the non-compliance incidents as disclosed in this section and our Group's internal control measures to avoid recurrence of these non-compliances, the Sole Sponsor concurred with our Directors' view that as these past non-compliance incidents do not involve any dishonesty on the part of our Directors or impugn on their integrity or competence, neither our Directors' suitability to act as directors of a listed issuer under Rules 3.08, 3.09 and 8.15 of the Listing Rules nor the Company's suitability for listing under Rule 8.04 of the Listing Rules is adversely affected. We will also engage external legal advisers to advise us on compliance matters if required. Our Directors are of the view that the above measures will prevent future occurrence of non-compliance incidents.

DIRECTORS

Our Board consists of nine Directors, three of whom are independent non-executive Directors. The following table sets forth certain information relating to our Directors:

Name	Age	Group position	Roles and responsibilities	Date of appointment as Director
Executive Director				
Mr. HARTONO James (何震發)	37	Chairman of the Board, chief executive officer, executive Director	Overseeing overall strategic development, strategic objectives and business plan implementation, corporate management and operation	1 February 2012
Ms. WANG Ying (王瑛)	52	Executive Director	Formulation of sales strategies and product development	22 February 2013
Mr. CHAN To Keung (陳道強)	54	Executive Director	Overseeing processing function	1 February 2012
Ms. WANG Hong (王泓)	38	Chief financial officer and executive Director	Overseeing finance and accounting function and financial planning	1 February 2012
Ms. ZHANG Qi (張琦)	42	Executive Director	Overseeing overall operation and logistics function	1 February 2012
Ms. HENG Yinmei (衡銀梅)	47	Executive Director	Overseeing human resources management and business administrative function	1 February 2012
Independent non-executive Director				
Dr. HU Yiming (胡奕明)	49	Independent non-executive Director, chairman of audit committee and a member of remuneration committee and nomination committee	As independent director	18 September 2013

Name	Age	Group position	Roles and responsibilities	Date of appointment as Director
Mr. KARSONO Tirtamarta (KWEE Yoe Chiang) (郭豐誠)	65	Independent non-executive Director, chairman of remuneration committee and a member of audit committee and nomination committee	As independent director	18 September 2013
Mr. SUTIKNO Liky	38	Independent non-executive Director, chairman of nomination committee and a member of audit committee and remuneration committee	As independent director	18 September 2013

Executive Directors

Mr. HARTONO James (何震發), aged 37, is our Chairman, chief executive officer and one of our executive Directors.

He joined our management team since our establishment and is responsible for the overall strategic development of our business as well as implementing our strategic objectives and business plans and overseeing the management and operations of all members of our Group. As Mr. Hartono has also been coordinating between the Directors as well as providing leadership to our Board, he occupies both the positions of chairman and chief executive officer of our Company. Mr. Hartono is the general manager as well as the legal representative of Yestar Shanghai and also a director of all members of our Group. Mr. Hartono is the brother of Ms. Jeane Hartono, Ms. Chen Chen Irene Hartono, and Mr. Rico Hartono, all being our Controlling Shareholders.

Mr. Hartono has over 12 years of experience in the distribution of image printing products in China. Since 2000, he has participated in his family business in the distribution of image printing products. He developed his expertise in the industry when he first became the vice general manager of Yestar Shanghai in 2000. Mr. Hartono was a director of Yesstar (Shanghai) International Trading Co., Ltd 迪星(上海)國際貿易有限公司 (engaged in international trading and import and export trading), Yesstar (Shanghai) Digital Imaging Co., Ltd 迪星(上海)數碼技術有限公司 (engaged in digital photo and minilab processing business) and Shanghai Super Star Digital Electronic Co. Ltd, (上海群星數碼電子有限公司) ("Shanghai Super Star") (engaged in sale and manufacturing of photo-printing equipment, digital camera and provision of after-sales services), all of which were established in the PRC and were deregistered in 2007 as the businesses were not profitable. Mr. Hartono was also one of the beneficial owners of Shanghai Super Star.

Mr. Hartono was awarded the Honored citizenship from Nanning city in 2009. He graduated from Portland State University in Oregon, USA with a bachelor degree of science in marketing and finance in June 1997.

In the three years preceding the Latest Practicable Date, Mr. Hartono did not hold any directorship in any listed company.

Ms. WANG Ying (王瑛), aged 52, is one of our executive Directors.

Ms. Wang joined us in 2010 and is primarily responsible for formulating the sales strategies and product development of our business. She is also the chief executive officer of Yestar Shanghai.

Ms. Wang has over 29 years of experience in image industry. Prior to joining our Group, Ms. Wang had worked for the Processing Group from July 1984 to June 2010. During this period, she worked for certain members of the Processing Group as the project engineer, processing executive, head of quality control department, co-head of sales for processing plant, legal representative and general manager. She also worked for the Processing Group as the chief engineer and head of processing plant.

Ms. Wang was awarded the second prize in respect of her accomplishment on GK-II Medical x-ray Film by Economic Commission of Shanghai in April 1998. Ms. Wang was also awarded the second and the third prize in respect of her accomplishment on RL-II Laser Phototypesetting Film by Economic Commission of Shanghai in July 2003 and by the local government in Shanghai in December 2003, respectively.

Ms. Wang obtained a Bachelor degree in Fine Chemical Engineering Major in Photosensitive Material from East China University of Science and Technology (formerly known as 華東化工學院) in November 1984. She obtained a C.E.O. Associate certificate from British Federal Committee. She has been a committee member of Chinese Society for Imaging Science and Technology (中國感光學會) since 2001. She was a member of National Technical Committee on Light Industrial Machinery of Standardization Administration of the People's Republic of China (全國感光材料標準化技術委員會) from 2004 to 2009.

In the three years preceding the Latest Practicable Date, Ms. Wang did not hold any directorship in any listed company.

Mr. CHAN To Keung (陳道強), aged 54, is one of our executive Directors.

Mr. Chan joined us in 2006 and is primarily responsible for overseeing our Group's processing. He is a director of all members of our Group except Yestar Shanghai. For Yestar Shanghai, he is the supervisor of the board of directors. Mr. Chan is also the general manager of Yestar Technology, the general manager and authorized representative of Yestar Medical and Yestar Imaging.

Mr. Chan has over 32 years of experience in the production of image printing products. Prior to joining our Group, Mr. Chan worked in Fuji Photo Products Co., Ltd, a wholly owned subsidiary of China-Hongkong Photo Products Holdings Limited which is listed on the Stock Exchange of Hong Kong (Stock Code: 1123) (engaging in distribution of Fujifilm products in Hong Kong and Macau), as senior manager in production, senior manager, manager, assistant manager, supervisor and technician in technical education center from 1977 to 2003.

Mr. Chan completed a three-year part-time evening certificate program specializing in electronics in 1982 held by the technical education and industrial training department of Hong Kong. He further obtained a business administration certificate in 2006 from the Open University of Hong Kong.

In the three years preceding the Latest Practicable Date, Mr. Chan did not hold any directorship in any listed company.

Ms. WANG Hong (王泓), aged 38, is our chief financial officer and one of our executive Directors.

Ms. Wang joined us in January 2007 and is primarily responsible for overseeing our finance and accounting and financial planning. Ms. Wang is also the financial controller of Yestar Shanghai and a director of Yestar BVI and Yestar HK. Ms. Wang has over 10 years of experience in PRC financial accounting and auditing. Prior to joining our Group, Ms. Wang worked as an accountant for different companies for more than 5 years. Ms. Wang completed the computerized accounting full-time course in July 1997 held by Shanghai Shi Gong Xiao She Zhi Gong College (上海市供銷社職工大學). In the three years preceding the Latest Practicable Date, Ms. Wang did not hold any directorship in any listed company.

Ms. ZHANG Qi (張琦), aged 42, is one of our executive Directors.

Ms. Zhang joined us in April 2007 and is primarily responsible for overseeing overall operation and logistics of our Group. Ms. Zhang is the vice general manager and a director of Yestar Shanghai, Yestar BVI and Yestar HK.

Ms. Zhang worked in our logistics department since April 2007. In May 2011, she was appointed as the vice general manager of Yestar Shanghai. Prior to joining our Group, Ms. Zhang worked as finance staff in Shanghai Super Star, a company which engaged in sales and manufacturing of photofinishing equipment, digital camera and provision of after-sales services. Mr. Hartono was one of the beneficial owners of Shanghai Super Star. Shanghai Super Star was deregistered in January 2007.

Ms. Zhang completed a 2 years materials management course in July 1991 from the secondary vocational training school of East China Electricity Administrative Bureau (華東電力管理局職工中等專業學校).

In the three years preceding the Latest Practicable Date, Ms. Zhang did not hold any directorship in any listed company.

Ms. HENG Yinmei (衡銀梅), aged 47, is one of our executive Directors.

Ms. Heng joined us in April 2007 and is primarily responsible for our human resources management and business administrative function. Ms. Heng is the supervisor of Yestar Technology, Yestar Medical and Yestar Imaging.

Ms. Heng has over 17 years of experience in human resources management. Prior to joining our Group, Ms. Heng worked as human resources supervisor from 1995 to 2000 at Shanghai Ke Bao-81 Precision Machinery Co., Ltd. (上海科寶八一精密機械有限公司) and worked as human resource manager from 1 April 2003 to 31 March 2007 at Shanghai Super Star, a company which engaged in sales and manufacturing of photofinishing equipment, digital camera and provision of after-sales service. Mr. Hartono was one of the beneficial owners of Shanghai Super Star. Shanghai Super Star was deregistered in January 2007.

Ms. Heng completed a 2 years English course in The Open University of China (formerly known as the China Central Radio and TV University (中央廣播電視大學) in July 2003.

In the three years preceding the Latest Practicable Date, Ms. Heng did not hold any directorship in any listed company.

Independent non-executive Directors

Dr. HU Yiming (胡奕明), aged 49, joined us as an independent non-executive Director on 18 September 2013. She is the chairman of our audit committee and a member of our remuneration committee and nomination committee.

Dr. Hu has more than 20 years of experience in accounting. Dr. Hu has been a professor of accounting at the accounting department of the Antai College of Economics & Management and the Supervisor of the Company Financial Research Centre of Antai College of Economics & Management at the Shanghai Jiao Tong University, China since January 2005. She has been a committee member of the Professional (Finance and Accounting) Committee of the Chinese Accounting Society (中國會計學會專業委員會（金融會計）) since February 2008. Dr. Hu was a supervisor of Ph.D. students of the School of Accountancy from September 2001 to January 2005 at the Shanghai University of Finance and Economics, China, an associate professor of the MBA Centre of the School of Management at Xiamen University, China from September 1997 to September 1999, a lecturer of the Accounting Department at the Xiamen University, China from April 1991 to September 1997, and a research assistant in the Computer Centre at Xiamen University, China from September 1988 to April 1991. Dr. Hu is also a member of the Accounting Committee of the Asia Pacific Management Accounting Association (亞太管理會計指導委員會).

Dr. Hu obtained a Bachelor of Science degree in Chemistry from Xiamen University, PRC in 1985 and a Ph.D. degree in Management/Accounting from Xiamen University, PRC in 1998.

Dr. Hu was an independent non-executive director of International Mining Machinery Holdings Limited (stock code: 1683) ("**IMMH**"), which was delisted on the Stock Exchange in June 2012, between January 2010 and June 2012. Other than the above mentioned, in the three years preceding the Latest Practicable Date, Dr. Hu did not hold any directorship in any other listed company.

Since Dr. Hu had been an independent non-executive director and the chairman of the audit committee of IMMH since January 2010 until the delisting of IMMH in June 2012, Dr. Hu has the experience of reviewing of audited financial statements of public companies. Together with Dr. Hu's academic qualifications and experience in accounting as set out above, our Company is of the view that Dr. Hu possesses the appropriate accounting and related financial management expertise required under Rule 3.10(2) of the Listing Rules.

Mr. KARSONO Tirtamarta (KWEE Yoe Chiang) (郭豐誠), aged 65, joined us as an independent non-executive Director on 18 September 2013. He is the chairman of our remuneration committee and a member of our audit committee and nomination committee.

Mr. Karsono has over 25 years of experience in automobile distributorship industry. Mr. Kwee was awarded as the Rotary-ASME Entrepreneur of the Year in 2006. He is the founder and executive chairman of the Eurokars Group, a private-held automobile distributorship which manages the distributionship of well-known marques in Singapore and Indonesia. Eurokars Group was conferred the third position last year in the Enterprise 50 Award, which was jointly organized by The Business Times and KPMG, sponsored by OCBC Bank and supported by the Infocomm Development Authority of Singapore, International Enterprise Singapore, Singapore Business Federation and SPRING Singapore.

In the three years preceding the Latest Practicable Date, Mr. Kwee did not hold any directorship in any listed company.

Mr. SUTIKNO Liky, aged 38, joined us as an independent non-executive Director on 18 September 2013. He is the chairman of our nomination committee and a member of our audit committee and remuneration committee.

Mr Sutikno has over 9 years of experience in management and global supply chain services. He has been the chief operating officer of International Sources, Inc (USA) with responsibility to oversee its operation, primarily in Asia, since January 2004. He is also a legal representative and the chairman of the board of International Sources (Shanghai) Co., Ltd., overseeing its factories and joint ventures in the PRC. International Sources provides global supply chain services.

Mr Sutikno obtained Bachelor degrees in Industrial Systems Engineering, Information Systems and Finance (his areas of concentration in Engineering were Manufacturing, Operation Research and Engineering Management) from The Ohio State University, Columbus, Ohio, the United States in June 1997.

In the three years preceding the Latest Practicable Date, Mr. Sutikno did not hold any directorship in any listed company.

Please refer to the section headed "Further information about directors — Particulars of Directors' service agreements and letters of appointment" in Appendix IV to this Prospectus for further information on our Directors' service agreements and appointment letters.

As at the Latest Practicable Date, save as disclosed in the section headed "Further information about directors — Disclosure of Interests" in Appendix IV to this Prospectus, each of the Directors did not have any interest in the Shares within the meaning of Part XV of the SFO.

Save as disclosed herein, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of the Directors that needs to be brought to the attention of the Shareholders and there was no information relating to the Directors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules as at the Latest Practicable Date.

SENIOR MANAGEMENT

Our executive Directors and senior management are responsible for day-to-day management of our business. Our executive Directors are shown in the paragraphs headed "Directors" in this section. The following table sets forth certain information relating to our senior management:

Name	Age	Group position
Mr. HO Tobing (何超斌)	42	Vice general manager (Yestar Shanghai)
Ms. LIAO Changxiang (廖長香)	39	Chief financial officer (Yestar Technology, Yestar Medical and Yestar Imaging)

Mr. HO Tobing (何超斌), aged 42, is the vice general manager of Yestar Shanghai. Mr. Ho has been the vice general manager of Yestar Shanghai since 2012 and is responsible for overseeing the operation of medical division. Mr. Ho has over 6 years of experience in the distribution of image printing products. He also worked in Yestar Shanghai as the regional manager, national sales general manager and chief operating officer during the period from 2003 to 2009.

Ms. LIAO Changxiang (廖長香), aged 39, is the chief financial officer of Yestar Technology, Yestar Medical and Yestar Imaging. Ms. Liao joined us in 2007 and is primarily responsible for overseeing our finance, accounting and logistics of our operations in Guangxi.

Ms. Liao has over 13 years of experience in finance. Prior to joining our Group, Ms. Liao was the chief financial officer of Guangxi Runyu Business and Trade Group Corporation (廣西潤宇工貿集團有限公司) from January 2003 to May 2007 and from March 1999 to March 2002, worked in Nanning Yangda Tank Factory (南寧樣達水箱廠) which later merged with Nanning Eight Rhombus Motors Accessories Co., Ltd (南寧八菱汽車配件有限公司), a subsidiary of Nanning Baling Technology Co., Ltd (南寧八菱科技股份有限公司) (Stock Code: 002592), the shares of which are listed on the Shenzhen Stock Exchange.

Ms. Liao has been a senior accountant recognized by the Department of Human Resources and Social Security of Guang Xi Zhuang Autonomous Region (廣西壯族自治區人力資源和社會保障廳) since December 2010. Ms. Liao obtained a Master of Business Administration from Guangxi University in June 2009.

COMPANY SECRETARY

Mr. KOO Cheuk On Timmie (高卓安), aged 41, is our Company's company secretary.

Mr. Koo was appointed as our company secretary on 1 April 2012. Mr. Koo is the founder of Normsun Professional Services Group, a private business engaged in the provision of accounting, taxation advisory, company secretarial and management consultancy services, and has been a Certified Public Accountant (Practicing) since 2004. He has also worked as an associate director of Expense Reduction Analysts since 2009. He worked in one of the big four international audit firms for nearly ten years with profound auditing experiences for various locally-listed companies and multinational groups from a wide range of industries.

Mr. Koo is a fellow of the Hong Kong Institute of Certified Public Accountants (FCPA (Practicing)), a fellow of the Association of Chartered Certified Accountants (UK) (FCCA), a fellow of the Taxation Institute of Hong Kong (FTIHK), an associate of the Institute of Chartered Accountants in England and Wales (ACA), a member of the Society of Chinese Accountants and Auditors (MSCA) and a Hong Kong Certified Tax Adviser (CTA). He graduated from the University of Hong Kong with a bachelor of business administration.

COMPLIANCE ADVISER

Our Company intends to appoint Haitong as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules for the term commencing on the Listing Date and ending on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the Listing Date. Pursuant to Rule 3A.23, we shall seek advice from our compliance adviser on a timely basis in the following circumstances:

(i) before the publication of any regulatory announcement, circular or financial report;

(ii) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

(iii) where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this Prospectus or where our business activities, developments or results deviate from any forecast, estimate, or other information in this Prospectus; and

(iv) where the Stock Exchange makes an inquiry of our Company under Rule 13.10.

BOARD COMMITTEES

Audit committee

We have established an audit committee pursuant to a resolution of our Directors passed on 18 September 2013 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The audit committee consists of all the three independent non-executive Directors, namely Dr. HU Yiming, being the

Chairman, Mr. KARSONO Tirtamarta (KWEE Yoe Chiang) and Mr. SUTIKNO Liky. The primary duties of the audit committee are to assist our Board in providing an independent review of the effectiveness of our financial reporting process, internal control and risk management system, to oversee the audit process and to perform other duties and responsibilities as assigned by our Board.

Remuneration committee

We have established a remuneration committee pursuant to a resolution of our Directors passed on 18 September 2013 with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The remuneration committee consists of all the three independent non-executive Directors, namely Mr. KARSONO Tirtamarta (KWEE Yoe Chiang), being the Chairman, Dr. HU Yiming and Mr. SUTIKNO Liky. The primary duties of the remuneration committee are to make recommendations to our Board on the policy and structure for all remuneration of our Directors and senior management, to make recommendations to our Board on the remuneration packages of individual executive Directors and senior management members, make recommendations to our Board on the remuneration of our non-executive Directors, and to consider such other matters as defined or assigned by our Board.

Nomination committee

We have established a nomination committee pursuant to a resolution of our Directors passed on 18 September 2013 with written terms of reference as recommended under the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The nomination committee consists of all the three independent non-executive Directors, namely Mr. SUTIKNO Liky, being the Chairman, Dr. HU Yiming and Mr. KARSONO Tirtamarta (KWEE Yoe Chiang). The primary function of the nomination committee is to review the structure, size and composition of the Board, and select or make recommendations on the selection of individuals nominated for directorships.

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, a new applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong, and this will normally mean that at least two of its executive directors must be ordinarily resident in Hong Kong. As our headquarters is based in Shanghai, the PRC and our operations and business are substantially carried out in and managed in the PRC, out of six executive Directors, five executive Directors are based in the PRC to oversee the business and operations of our Group, and one executive Director travels between the PRC, Indonesia and Singapore from time to time. We currently do not have and do not propose to have any business operations in Hong Kong. At present, we have appointed Mr. KOO Cheuk On Timmie, our company secretary who is ordinarily resident in Hong Kong, and Ms. WANG Hong, an executive Director, as the authorized representatives of our Company whom will act as our Company's principal channel of communication with the Stock Exchange. Further, we intend, pursuant to Rule 3A.19 of the Listing Rules, to appoint Haitong as our compliance adviser which will act as an additional channel of communication with the Stock Exchange. We have applied to the Stock Exchange for and the Stock Exchange has granted us with a waiver from strict compliance with Rule 8.12 of the Listing Rules. For details of the waiver, please refer to the section headed "Waiver from strict compliance with the requirements under the Listing Rules — Management presence in Hong Kong" in this Prospectus.

AUTHORIZED SHARE CAPITAL:

	HK$
1,000,000,000 Shares	100,000,000.0

Assuming the Over-allotment Option is not exercised, the share capital of our Company immediately following the Global Offering will be as follows:

SHARES ISSUED OR TO BE ISSUED, FULLY PAID OR CREDITED AS FULLY PAID:

Number of Shares	Description of Shares	Aggregate nominal value of Shares *HK$*	Approximate percentage of issued Share capital
337,500,000	Shares in issue	33,750,000.0	75.0%
112,500,000	Shares to be issued under the Global Offering	11,250,000.0	25.0%
450,000,000	Total	45,000,000.0	100.0%

Assuming the Over-allotment Option is exercised in full, the share capital of our Company immediately following the Global Offering will be as follows:

SHARES ISSUED OR TO BE ISSUED, FULLY PAID OR CREDITED AS FULLY PAID:

Number of Shares	Description of Shares	Aggregate nominal value of Shares *HK$*	Approximate percentage of issued Share capital
337,500,000	Shares in issue	33,750,000.0	72.29%
112,500,000	Shares to be issued under the Global Offering	11,250,000.0	24.10%
16,875,000	Shares to be issued upon exercise of the Over-allotment Option in full	1,687,500.0	3.61%
466,875,000	Total	46,687,500.0	100.0%

ASSUMPTIONS

The above tables assume the Global Offering becomes unconditional and the issue of Shares pursuant to the Global Offering is made. They take no account of any Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme or which may be allotted and issued or repurchased by our Company under the general mandates referred to below.

RANKING

The Offer Shares, including the Shares issuable pursuant to the Over-allotment Option, will rank pari passu in all respects with all other Shares in issue or to be issued as mentioned in this Prospectus and, in particular, will rank equally for all dividends and other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this Prospectus.

Our Company has conditionally adopted the Share Option Scheme, the principal terms of which are summarized in the section headed "Share Option Scheme — Summary of the terms of the Share Option Scheme" in Appendix IV to this Prospectus.

GENERAL MANDATE GIVEN TO OUR DIRECTORS TO ISSUE SHARES

Our Directors have been granted a general unconditional mandate (the "Share Issue Mandate") to allot, issue and deal with unissued Shares with an aggregate nominal value not exceeding the sum of:

(1) 20.0% of the total nominal value of the Shares in issue immediately following completion of the Global Offering (excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option); and

(2) the total nominal value of the Shares repurchased by our Company under the Share Repurchase Mandate referred to in the paragraph headed "General Mandate given to our Directors to Repurchase Shares" below.

Our Directors may, in addition to Shares which they are authorized to issue under the mandate, allot, issue and deal in the Shares pursuant to a rights issue, or any scrip dividend shares or similar arrangements providing for allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles, or upon the exercise of any options which may be granted under the Share Option Scheme or other similar arrangement.

The Share Issue Mandate will remain in effect until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of our Company;

(ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws of the Cayman Islands to be held; or

(iii) the passing of an ordinary resolution of our Shareholders in general meeting revoking or varying such mandate.

For further details of the Share Issue Mandate, please see the section headed "Further information about our Company — Written resolutions of our Shareholders passed on 18 September 2013" in Appendix IV to this Prospectus.

GENERAL MANDATE GIVEN TO OUR DIRECTORS TO REPURCHASE SHARES

Our Directors have been granted a general unconditional mandate (the "**Share Repurchase Mandate**") to exercise all the powers of our Company to repurchase Shares with a total nominal value not exceeding 10.0% of the total nominal value of the share capital of our Company in issue immediately following completion of the Global Offering (excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option).

The Share Repurchase Mandate only relates to repurchases made on the Stock Exchange and/or on any other stock exchange on which the Shares are listed (and which are recognized by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed "Further information about our Company — Repurchase by our Company of its own securities" in Appendix IV to this Prospectus.

The Share Repurchase Mandate will remain in effect until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of our Company;

(ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws of the Cayman Islands to be held; or

(iii) the passing of an ordinary resolution of our Shareholders in general meeting revoking or varying such mandate.

For further details of the Share Repurchase Mandate, please see the section headed "Further information about our Company — Written resolutions of our Shareholders passed on 18 September 2013" in Appendix IV to this Prospectus.

RULE 10.08 OF THE LISTING RULES

Our Company confirms that it will comply with the requirements of Rule 10.08 of the Listing Rules upon Listing. Rule 10.08 of the Listing Rules provides that our Company may not issue any further Shares or securities convertible into equity securities or form any agreement to make such an issue within six months from the date on which our Shares commence dealing on the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS

Immediately following completion of the Global Offering and taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-Allotment Option or any Shares to be issued pursuant to the exercise of options which may be granted under the Share Option Scheme, so far as is known to any Director or chief executive of our Company, the persons who will have interests or short positions in our Shares, underlying Shares or debentures of our Company which will fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO once our Shares are listed in Hong Kong are as follows:

Interests in our Company

Name of person	**Number of Shares**	**Approximate shareholding percentage**
Ms. Jeane Hartono	169,222,500	37.61%
Mr. James Hartono	66,352,500	14.75%
Mr. Rico Hartono	66,352,500	14.75%
Ms. Chen Chen Irene Hartono	29,868,750	6.64%

Note: All the above interests are long positions

So far as our Directors are aware, immediately following completion of the Global Offering, without taking into account any Shares that may be allotted and issued pursuant to the exercise of the Over-allotment Option and any Shares to be issued pursuant to the exercise of options which may be granted under the Share Option Scheme, there are no other person who will be directly or indirectly interested in 10.0% 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.

NON-DISPOSAL UNDERTAKINGS

Each of our Controlling Shareholders have undertaken to the Stock Exchange and the Company that save as permitted under the Listing Rules, he/she shall not:

(i) during the period commencing on the date of this prospectus and ending on the date which is six months from the Listing Rules (the "**First Period**"), whether directly or indirectly, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which he/she is shown by this prospectus to be the beneficial owner; and

(ii) during the period of six months commencing from the expiry of the First Period, whether directly or indirectly, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/she would, whether on his/her own or together with the other Controlling Shareholders, cease to be regarded as Controlling Shareholder(s).

Each of the Controlling Shareholders have also undertaken to the Stock Exchange and the Company respectively that, for the period commencing on the date of this prospectus and ending on the date which is twelve months from the Listing Date, he/she shall:

(i) when he/she pledges or charges any of the securities of the Company beneficially owned by him/her in favour of an authorized institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform the Company in writing of such pledge or charge together with the number of securities so pledged or charged; and

(ii) when he/she receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged securities will be disposed of, immediately inform the Company in writing of such indications.

The Company will inform the Stock Exchange as soon as it has been informed by any of the Controlling Shareholders of the matters above (if any) and disclose such matters by way of announcement in accordance with the requirements of the Listing Rules.

OUR CONTROLLING SHAREHOLDERS

Our Controlling Shareholders will be interested and deemed interested in an aggregate of approximately 73.73% of the issued share capital of our Company upon completion of the Global Offering and taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option.

The family of our Controlling Shareholders commenced business with Fujifilm Group in 1971 by engaging in the sale of photo-related products of Fujifilm Group in Indonesia. Their cooperation with Fujifilm Group further extended to other Southeast Asia countries such Vietnam, Cambodia and India in 1996, 2004 and 2012 respectively. Please refer to the section headed "History and development — Business development" of this prospectus for further description of the business relationship between Fujifilm Group and our Controlling Shareholders. Since such business activities with the Fujifilm Group are all conducted outside the PRC and our Controlling Shareholders have not, other than through our Company, conducted any business with the Fujifilm Group in the PRC, our Directors are of the view that our Controlling Shareholders do not have an interest in a business apart from our Group's business which competes or is likely to compete, either directly or indirectly, with the business of our Group.

NON-COMPETITION UNDERTAKING

For the purpose of the Listing, our Controlling Shareholders have entered into the Non-competition Deed in favor of our Company (for its own behalf and as trustee for its subsidiaries), pursuant to which our Controlling Shareholders irrevocably and unconditionally undertake to our Company for its own behalf and as trustee for its subsidiaries that with effect from the Listing Date and for as long as our Shares remain listed on the Stock Exchange and he/she, individually or collectively with any other Controlling Shareholder(s) is, directly or indirectly, entitled to exercise or control the exercise of 30% or more of our Shares in issue, or is otherwise regarded as a controlling shareholder (as defined under the Listing Rules from time to time) of our Company, he/she shall not, and shall procure that none of his/her associates (for the purpose of the Non-Competition Deed, shall have the meaning as defined under Rule 1.01 of the Listing Rules but excluding our Group) shall:

(a) directly or indirectly, either on his/her 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 right or interest in or render any services to or otherwise be involved in any business directly or indirectly in competition with, or likely to be in competition with, the image-printing business and the medical imaging business carried out by the Group in the PRC as more particularly described in this Prospectus (the "**Restricted Business**") except for the holding of not more than 5% shareholding interests (individually or with any other Controlling Shareholder(s) or their associates collectively) in any listed company in Hong Kong (provided that the Controlling Shareholders and/or their associates, whether acting singly or jointly, are not entitled to appoint a majority of the directors of that company and that at all times 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 Shareholders and/or their associates together hold);

(b) take any direct or indirect action which constitutes an interference with or a disruption to the Restricted Business including, but not limited to, the solicitation of, interference with or enticing away our Group's customers, suppliers, distributors, management, technical staff or employees; or

(c) exploit his/her knowledge or information obtained from or pertaining to the business of our Group in his/her capacity as a controlling shareholder (as defined under the Listing Rules from time to time) of our Company to compete, directly or indirectly, with the Restricted Business.

In addition, each of our Controlling Shareholders irrevocably and unconditionally undertakes that if any business opportunity relating to any of the products and/or services of our Group or the Restricted Business (the "**Business Opportunity**") is made available to him/her or to any of his/her associates, he/she will direct or procure the relevant associate(s) to direct such Business Opportunity to our Company together with such required information to enable our Company to evaluate the merits of the Business Opportunity. The relevant Controlling Shareholder shall provide, or procure the relevant associate(s) to provide, our Company or the relevant member of our Group with such assistance to secure the Business Opportunity as our Company or the relevant member of our Group may reasonably require.

Each of our Controlling Shareholders further irrevocably and unconditionally undertakes that he/she shall not, and shall procure that none of his/her associates shall, pursue such Business Opportunity unless our Company decides not to pursue such Business Opportunity. Any decision of our Company as to whether to pursue the Business Opportunity shall have to be approved by our independent non-executive Directors. Our Group shall not be required to pay any fees to the Controlling Shareholders and/or the relevant associate(s) in relation to the direction of such Business Opportunity.

Each of our Controlling Shareholders also represents and warrants that as at the date of the Non-Competition Deed, other than his/her interests in our Group, neither he/she nor any of his/her associates is carrying on or engaging in, directly or indirectly, the Restricted Business or is otherwise engaged in any business that competes or may compete with those of our Group.

Each of our Controlling Shareholders further irrevocably and unconditionally undertakes that he/she shall:

(i) provide to our Company all information necessary for the enforcement of the undertakings or covenants in the Non-Competition Deed;

(ii) provide an annual confirmation to our Company confirming that he/she and his/her associates have not breached the terms of the undertakings contained in the Non-Competition Deed;

(iii) provide all information necessary for the annual review by our independent non-executive Directors of his/her compliance with the terms of the Non-Competition Deed and the enforcement of the Non-Competition Deed; and

(iv) abstain from voting at any general meeting of our Company if there is any actual or potential conflict of interests.

Our independent non-executive Directors will review, at least on an annual basis, the compliance with the undertakings in the Non-Competition Deed and we will disclose decisions on matters reviewed by our independent non-executive Directors relating to the compliance and enforcement of the undertakings (for example, the exercise of options or first rights of refusal) either in our annual reports, or by way of announcements.

The Non-Competition Deed and the rights and obligations thereunder are conditional upon the Listing taking place.

The Non-Competition Deed will cease to have effect on the earliest of the date on which (i) our Controlling Shareholders cease to be directly or indirectly, entitled to exercise or control the exercise of 30% or more of the Shares in issue, or otherwise cease to be regarded as controlling shareholders (as defined under the Listing Rules from time to time) of our Company, or (ii) our Shares cease to be listed on the Stock Exchange.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Having considered the matters described above and the following factors, we believe that we are capable of carrying on our business independently from our Controlling Shareholders and their associates upon the completion of the Global Offering.

Management Independence

Our Board comprises 9 Directors, of which 3 are independent non-executive Directors who have extensive experience in different areas or professions and are appointed pursuant to the requirements under the Listing Rules to ensure that the decisions of our Board are made only after due consideration of independent and impartial opinions.

Our Directors believe that the presence of Directors from different background provides a balance of opinions. Although Mr. James Hartono, one of our Controlling Shareholders, is an executive Director and the Chairman of our Board, our Board acts collectively by majority decisions in accordance with the Articles and the laws, and no single Director is supposed to have any decision-making unless authorized by our Board. Each of our Directors is aware of his/her fiduciary duties as a Director which require, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum. In addition, the presence of our independent non-executive Directors provide checks and balances over our Board's decision-making on significant transactions. Further, we have an independent management team with substantial experience and expertise in the processing, sales and marketing of imaging products to carry out essential administration and daily operations of our Group independently without any support from our Controlling Shareholders (and their associates).

We have established an audit committee of our Board, which comprises solely of the 3 independent non-executive Directors, which is responsible for reviewing potential conflicts of interests (if any) as well as reviewing connected transactions (if any) falling within the scope of Chapter 14A of the Listing Rules. Such committee is also responsible for reviewing and approving the financial reporting process and internal control systems of our Group.

Other than the audit committee, we have also established a remuneration committee of our Board to ensure that Directors and senior management are properly remunerated without being over compensated. We also have a nomination committee which is responsible for ensuring that only person with capability and relevant experience are appointed as Directors and to assess the independence of our Directors on an annual basis.

Operational Independence

Although our Controlling Shareholders will retain a controlling interest in our Company after the Listing, our Board has full rights to make all decisions on, and to carry out, our Group's business operations independently. We have our own management team, of which most members are independent of our Controlling Shareholders (and their associates), have served our Company or our subsidiaries for a substantial period of time and have substantial experience in the industry in which our Company is engaged to implement our Group's policies and strategies.

We operate independently from our Controlling Shareholders (and their associates) and have established our business independent of our Controlling Shareholders (and their associates). Our organizational structure is made up of a number of departments with staff performing different functions, namely, sales, marketing and customer service, processing, R&D, logistics, finance and accounting, management, general administration, legal and information technology. Internal control procedures are available to ensure effective operation of our business. Furthermore, we have our own distribution network for the products which we distribute and our own processing facilities in the PRC. None of our Controlling Shareholders nor their associates held any interest in our major customers, major suppliers of material, or the Processing Group.

No services, premises and facilities are or will be provided to our Group by our Controlling Shareholders (and their associates).

Although the good business relationship between Fujifilm Group and our Controlling Shareholders has a positive impact in our Group's business, Fujifilm Group has also indicated that the good quality of products consistently provided by our processing platform as well as our customized sale channel management and marketing strategies have been the reasons for selecting our Company to be their important business partner in the PRC in respect of color photographic paper.

Financial Independence

We have our own accounting and finance department and independent financial system and make financial decisions according to our Group's own business need.

As at the Latest Practicable Date, our Group was not indebted to our Controlling Shareholders (and their associates). Our Directors do not expect our Group to be financially dependent on our Controlling Shareholders (and their associates) after the Listing and are of the view that after the Listing, our Group is capable of obtaining financing from external sources and there will be no financial dependence on our Controlling Shareholders (and their associates).

Having considered the above factors, our Directors are satisfied that our Group's business is delineated from the business or investment of our Controlling Shareholders (and their associates) and there is no competition between the parties; and our Directors consider that we can manage our business and operations independently from our Controlling Shareholders (and their associates).

You should read the following discussion and analysis in conjunction with our combined financial information and notes thereto set forth in the accountants' report included as Appendix I and our selected historical combined financial information and operating data included elsewhere in this Prospectus. Our combined financial information has been prepared in accordance with IFRSs as issued by the International Accounting Standards Board.

The following discussions and analysis contain certain forward-looking statements that reflect our current views with respect to future events and our financial performance. These statements are based on assumption and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depend on a number of risks and uncertainties over which we do not have control. See the sections headed "Risk factors" and "Forward looking statements" for discussions of those risks and uncertainties.

OVERVIEW

We are one of the leading providers of color photographic paper in the PRC and a provider of a broad range of imaging products in the PRC. We process color photographic paper, various image printing films and medical imaging films into ready-to-use form by cutting and slitting master rolls into customized sizes and packaging the products under precisely controlled processing conditions.

We are also the most important business partner of Fujifilm Group for color photographic paper and Fujifilm color films in the PRC. We have been recognized by Fujifilm Group as the largest authorized distributor of Fujifilm color photographic paper and Fujifilm color films in the PRC since May 2007 and the largest authorized processor of Fujifilm color photographic paper and color films into ready-to-use form in the PRC since June 2009. In June 2013, we were appointed as the sole and exclusive distributor of Fujifilm color photographic paper in the PRC. We are also recognized by Fujifilm Group as its largest authorized processor of Fujifilm PWB film, Fujifilm medical dry film and Fujifilm medical wet film into ready-to-use form in the PRC.

Other than undertaking the processing, sales and marketing of Fujifilm color photographic paper and Fujifilm color films into ready-to-use form in the PRC, we also distribute other image printing products, including photo-related products and document printing products of Fujifilm Group. During the Track we diversified our product offering and tapped into the medical imaging industry by processing and selling Fujifilm medical dry film to Fujifilm Group in 2010. We further expanded our portfolio of medical imaging products by developing and selling dental film in 2011 under Yes!Star brand. In 2012, we also started processing and selling Fujifilm medical wet film to Fujifilm Group. We launched our industrial imaging products by developing and selling industrial NDT x-ray film under our own Yes!Star brand in 2011 and distributed Fujifilm industrial NDT x-ray film in 2012. We further expanded our portfolio of industrial imaging products by processing and selling Fujifilm PWB film to Fujifilm Group in 2012. Although we began to sell FMCG in the PRC in 2009, to focus on our core business, we effectively ceased to operate FMCG business in December 2011.

The expansion of our product variety has broadened our revenue stream. Our total revenue increased by about RMB453.9 million or about 86.8%, from about RMB523.2 million for FY2010 to about RMB977.1 million for FY2011, and slightly decreased by about RMB21.3 million or about 2.2% to about RMB955.8 million for FY2012, representing a CAGR of about 35.2%. Our total revenue increased by about RMB42.2 million or about 11.4%, from about RMB371.8 million for the five months ended 31 May 2012 to about RMB414.0 million for the five months ended 31 May 2013. Our profit increased by about RMB26.6 million or about 122.8%, from about RMB21.7 million for FY2010 to about RMB48.3 million for FY2011, and further increased by about RMB9.7 million or about 20.2% to about RMB58.0 million for FY2012, representing a CAGR of about 63.6%. Our profit decreased by about RMB4.5 million or about 18.1%, from about RMB24.6 million for the five months ended 31 May 2012 to about RMB20.1 million for the five months ended 31 May 2013.

Since we effectively ceased our FMCG business in December 2011 and such business no longer contributed to our revenue since 2012, revenue of about RMB10.0 million, RMB68.1 million, nil, nil and nil for FY2010, FY2011, FY2012 and five months ended 31 May 2012 and 2013, respectively, derived from FMCG business were excluded in our analysis below. Excluding the revenue derived from our FMCG business, our revenue increased by about RMB395.8 million or about 77.1%, from about RMB513.2 million for FY2010 to about RMB909.0 million for FY2011, and further increased by about RMB46.8 million or about 5.1% to about RMB955.8 million for FY2012, representing a CAGR of about 36.5%.

GENERAL FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations and our financial information have been, and we believe will continue to be, affected by a number of factors including those set out below:

Demand of our products

The business of our Group depends on the demand of our products, which is largely related to (i) economic growth and growth of purchasing power in the PRC, (ii) substitution of our products due to emergence of new technology, (iii) aging population in the PRC and (iv) growth of industrial activities in the PRC.

According to the Frost & Sullivan Report, the PRC has enjoyed great economic prosperity from 2007 to 2012, with per capita nominal GDP increasing from about RMB20,169.5 to about RMB38,353.5, representing a CAGR of about 13.7%. The income level for urban residents in the PRC has also experienced tremendous growth from 2007 to 2012, with per capita annual disposable income of urban households increasing from about RMB13,785.8 to about RMB24,565.0, representing a CAGR of about 12.2%. Our total revenue (excluding revenue attributable to our FMCG business), which was solely derived from sales in the PRC, amounted to about RMB513.2 million, RMB909.0 million, RMB955.8 million and RMB414.0 million for FY2010, FY2011, FY2012 and five months ended 31 May 2013, respectively, generally showing an increasing trend during the Track Record

Period. We expect that the continuing economic growth in the PRC will lead to increase in consumer spending and demand of our products. Accordingly, our result will be affected by the economic growth and the growth of purchasing power in the PRC.

We compete in industries that are rapidly changing. Changes in technology, consumer preferences and successful new product introductions or enhancements by our competitors could severely affect the demand and market acceptance of our products, cause intense price competition and make our products obsolete. According to the Frost & Sullivan Report, the effect of proliferation of digital image display applications has a negative impact on the market demand for some of our products. Proliferation of digital image display applications and their adoption may also intensify market competition. There is no assurance that we will be able to adapt to rapid developments in the markets and to make the technological advances necessary for our products to remain competitive. Our failure to adapt to market and technological changes and compete successfully could seriously harm our business, financial condition and results of operations.

In spite of the negative effect of proliferation of digital image display applications on the minilab color photographic paper market, the aging population in the PRC may, in some degree, alleviate the decrease in demand in the minilab color photographic paper market in the next few years. According to the Frost & Sullivan Report, the population in the PRC of 65 years old and above increased from about 106.4 million or about 8.0% of the total population in the PRC in 2007 to about 127.1 million or about 9.4% of the total population in the PRC in 2012. With the expected continuing increase of aging population in the next few years, we expect that the aging population will affect the demand on minilab color photographic paper in the next few years as the aged usually prefer keeping tangible pictures to virtual pictures. Accordingly, our results may be affected by the rate of aging population in the PRC.

China's gross industrial outputs have experienced strong growth rates over the past decade. From 2008 to 2012, the gross industrial output has increased at a CAGR of about 11.3% from about RMB13,026 billion to about RMB19,986 billion. During our first year of processing and sales of Yes!Star industrial NDT x-ray film in 2011, we have captured market share of about 6.3% and 4.7% in terms of sales volume and revenue, respectively in the PRC. Although the industrial NDT x-ray film market in the PRC experienced temporary recession in 2012, our market share remained stable at about 6.2% and 5.4% in terms of volume and revenue respectively in 2012. Since the growth in industrial NDT x-ray film consumption is driven by industrial output in the PRC according to the Frost & Sullivan Report, we expect that the growth rate for industrial activities will affect the demand for our industrial NDT x-ray film, which would in turn affect our results.

Market competitions

We face varying levels of competition in the markets which we operated. We closely monitor the intensity of competition, our market positioning and sales channel management strategies for the major products which we distribute with the aim to maximizing our profit as well as maintaining the competitiveness of our products. Our results will be affected by our ability to combat competition in different markets.

Ability to secure stable supply, manage changes to material price and transfer increase in material cost to customers

Cost of materials represents the largest component of our cost of sales. It represented about 97.0%, 97.4%, 96.4% and 95.4% of our total cost of sales for each of FY2010, FY2011, FY2012 and five months ended 31 May 2013, respectively. The cost of materials mainly included the cost of master rolls of different products. We rely on Fujifilm Group for the purchase of materials. For FY2010, FY2011, FY2012 and five months ended 31 May 2013, purchase of materials from Fujifilm Group (excluding purchases attributable to our FMCG business) accounted for about 84.2%, 88.8%, 96.6% and 96.3% of our total purchase, respectively. Therefore, any change of Fujifilm Group's existing sales or marketing strategy in respect of the products that are processed and/or sold by us will significantly affect our results. In addition, purchase price of materials and products from Fujifilm Group is subject to review and negotiation between Fujifilm Group and us. It is also subject to anti-dumping duties levied on photographic paper from the European Union, the United States and Japan which began since 10 August 2011 and will last for five years from 23 March 2012. Any price fluctuation on materials may affect our results.

Although there were increases in material cost of our products, our Directors considered that the year-to-year increase in our gross profit margin during the Track Record Period demonstrated our general ability to transfer the increase in material cost to customers during the Track Record Period, notwithstanding that market competition and demand of customers may at times affect our selling prices and our ability to transfer increase in material cost to our customers. Our gross profit margin, which showed an overall increase, was about 16.3%, 16.7%, 17.5% and 17.8% for FY2010, FY2011, FY2012 and five months ended 31 May 2013, respectively. The gross profit margin attributable to sales of color photographic paper was about 16.1%, 17.8%, 19.4% and 22.2% for FY2010, FY2011, FY2012 and five months ended 31 May 2013, respectively. Our financial performance will be affected by our ability to transfer the overall increase in yearly material cost to our customers.

Impact of anti-dumping duties on the Group's financial performance

As far as the Directors are aware, during the Track Record Period, most of the master rolls of color photographic paper purchased by us were imported from the United States by Fujifilm Group itself and sold to us within the PRC, the anti-dumping tax for which were not borne by us. It should be noted that we did not handle the import of the color photographic paper master rolls and the above information is for illustration purpose only and should not be unduly relied upon. Notwithstanding the abovementioned anti-dumping duties on photographic paper, which began since 10 August 2011 and will last for five years from 23 March 2012, our average material cost of color photographic paper increased only by 8.0% from about RMB10.0 per sq.m for FY2011 to about RMB10.8 per sq.m for FY2012. This increase in our average material cost was much milder than the anti-dumping duty levied on the imported color photographic paper master rolls. This should also be viewed against the increase in our gross profit margin of color photographic paper from about 17.8% for FY2011 to about 19.4% for FY2012. Our Directors considered that, notwithstanding that market competition and demand of customers may at times affect our ability to transfer increase in material cost to our customers, the year-to-year increase in our gross profit margin during the Track Record Period demonstrated our general ability to transfer the increase in material cost to our customers of color photographic paper. Our Directors considered that this may be attributable to two major reasons. Firstly, as we fixed the sales price for color photographic paper with customers pursuant to short term contracts or purchase orders from time to time during FY2010 to FY2012, this arrangement allowed us to enjoy greater flexibility in price adjustment to cope with changes in material cost, market prices of color photographic paper, market competition, demand of customers and our market share from time to time. Secondly, during the Track Record Period, being the largest authorized distributor of Fujifilm color photographic paper in the PRC, we also enjoyed a certain degree of bargaining power in price negotiation with our customers. In negotiating the purchase price of color photographic paper master rolls with our supplier, we also discussed with our supplier the potential impact of any significant increase in material cost on our sales price, which may in turn affect the sales and market share of Fujifilm color photographic paper in the PRC. Our Directors believed that Fujifilm Group had already considered the effect of the anti-dumping duties in their sales price of color photographic paper master rolls to us during the Track Record Period by raising their respective unit sales price after taking into account potential impact of any significant increase in material cost on our sales price, which may in turn affect the sales and market share of Fujifilm color photographic paper in the PRC. Our Directors considered that the anti-dumping duties on color photographic paper did not result in a material adverse financial impact on us during the Track Record Period. We are not aware of any current plans of Fujifilm Group to further raise the unit price of color photographic paper master rolls significantly due to the anti-dumping duty measures. On such basis, our Directors believed that the impact of the anti-dumping measures should have been reflected in our material costs during the Track Record Period.

BASIS OF PRESENTATION

Our financial statements have been prepared in accordance with IFRSs, which comprise all standards and interpretations approved by the International Accounting Standards Board and on a combined basis by applying the principles of merger accounting as if the Reorganization had been completed at the beginning of the Track Record Period. The methods, estimates and judgments that we use in applying our accounting policies may have a significant impact on our results of operations. Below is a summary of the accounting policies in accordance with IFRSs that we believe are important to the presentation of our financial results and involve the need to make estimates and judgments about the effect of matters that are inherently uncertain. We also have other policies, judgments, estimates and assumptions that we consider as significant, which are set out in detail in notes 4 to 5 to the accountants' report in Appendix I to this Prospectus.

Revenue recognition

Revenue is recognized when it is probable that the economic benefits will flow to our Group and when the revenue can be measured reliably, on the following bases:

(a) from the sales of goods, 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;

(b) from the rendering of services, in the period in which the services are rendered; and

(c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, 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 the combined income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized 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, we recognized such parts as individual assets with specific useful lives and depreciated them accordingly.

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. The estimated useful lives of property, plant and equipment are as follows:

Buildings	20 years
Leasehold improvements	The shorter of the lease terms and their useful lives
Plant and machinery	5-10 years
Office equipment	5 years
Motor vehicles	5 years

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.

An item of property, plant and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in the combined income statement in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings, plant and machinery under construction or installation and testing which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction or installation and testing and capitalized borrowing costs on related borrowed funds during the period of construction or installation and testing. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on the first in, first out basis and, in the case of finished goods, comprises direct materials, direct labor and an appropriate proportion of overheads. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Accounting treatment of our transactions with Fujifilm Group in respect of PWB film, medical dry film and medical wet film

The transactions for purchase of master rolls of PWB film, medical dry film and medical wet film from Fujifilm Group and sale of PWB film, medical dry film and medical wet film to Fujifilm Group (namely, the "**Arrangement with Fujifilm Group**") are accounted for on a gross basis (i.e. record the gross sales amount and related cost of sales in the income statement and recognize the inventory in the balance sheet), rather than recognizing the net amount as subcontracting arrangement (i.e. record the net sales amount (subcontracting income) in the income statement and not to recognize the inventory in the balance sheet).

According to International Accounting Standard 18 (''IAS 18'') — Revenue — paragraph 21 of the Appendix, it states that an entity is acting as a principal when it has exposure to the significant risks and rewards associated with the sales of goods.

By applying the accounting standard, in the Directors' assessment that whether an entity has exposures to the significant risks and rewards associated with the sale of goods and acts as principal in the transactions, whether the sales and purchase transaction is conducted with the same party is not an important feature, and the principal features of the transactions and the arrangement between counterparties are more relevant.

Based on the assessment of the contractual terms of the relevant sales and purchase agreements for the Arrangement with Fujifilm Group and the advice of the PRC Legal Advisers, our Directors represented that the Arrangement with Fujifilm Group has the following features which indicate that the transactions should be accounted for as trading income rather than as subcontracting arrangement:

(1) Our Group is the primary obligor in the arrangement

The fact that our Group is responsible for processing the products desired by Fujifilm Group is a strong indicator of our Group's role in the transactions. According to the master rolls purchase agreements and the finished goods sales agreements for medical dry film and medical wet film, the purchase of master rolls from and sales of finished goods to Fujifilm Group are conducted with different members of Fujifilm Group; while for PWB film, the purchase of master rolls from and sales of finished goods to Fujifilm Group are conducted with the same member of Fujifilm Group. The master rolls purchase agreements and finished goods sales agreements were different agreements. Our Group is responsible for fulfilment of the order from Fujifilm Group, including the acceptability of the products ordered by the relevant subsidiaries of Fujifilm Group. If the goods are returned by Fujifilm Group due to quality defects, we are responsible for the loss.

During the Track Record Period, our advanced processing technology had enabled us to meet stringent quality requirements of Fujifilm Group. There was no goods returned by Fujifilm Group. The Directors were of the view that our Group can reliably estimate future returns and retains only an insignificant risk of ownership as at the transaction date and the sales of goods to Fujifilm Group can be recognized as revenue then.

Our Directors confirmed that during the initial stage of our discussion with Fujifilm Group on our PWB film cooperation plan, it was contemplated that we may purchase PWB film master rolls from a member of Fujifilm Group under a purchase contract and handle local import procedures in Guangxi (where our manufacturing arm was located), while processed PWB film would be sold to another member of Fujifilm Group (namely, Fujifilm China Investment) under a sales contract, alike our existing cooperation model for medical dry film. However, as our Directors understood that such arrangement would give rise to higher cost implications due to different customs requirements in Guangxi and Shanghai, it was agreed that the master rolls shall be imported via Shanghai by Fujifilm China Investment. As it was customary for Fujifilm Group to sell master rolls under a purchase contract and buy finished goods under a sales contract, alike our cooperation model for medical dry film, the parties continued the customary contractual arrangement instead of enter into a single processing agreement.

(2) Inventory Risk — our Group bears inventory risk

Our Group determines the processing plan and organizes our processing independently. In determining the processing plan, we take into consideration customer demand, our inventory level of the master rolls and finished goods, our Group's processing capacity and etc.. Our Directors confirmed that our Group did not have any oral or written arrangements with Fujifilm Group whereby Fujifilm Group would adjust the purchase price based on the consumption of the master rolls. Furthermore, our Directors confirmed that we have not provided our consumption data of master rolls and other materials to Fujifilm Group.

Our Group takes the title and bears the risks associated with purchased master rolls upon receipt from Fujifilm Group and the risks associated with processed finished goods before delivery to Fujifilm Group, regardless of the price negotiation process and payment methods and takes the full risk of damage or loss of inventories. We also need to bear the cost for inventory management such as (where applicable) warehouse rentals and the cost for the obsolete and damaged inventory items.

For PWB film, we bear the inventory risk as pursuant to the sales agreement, our Group takes the title and bears the risks associated with purchased master rolls of PWB film upon receipt from Fujifilm Group. Pursuant to the separate sales agreement, our Group takes the risks associated with processed finished goods of PWB film until delivery to Fujifilm Group. Upon receipt of master rolls of PWB films, our Group takes the full risk of damage or loss of the master rolls. Our Group also needs to bear the cost for inventory management such as (where applicable) warehouse rentals and the cost for the obsolete and damaged inventory items. During the processing process, our Group takes the responsibility of quality control. If the quality of the finished goods of PWB film cannot meet the criterion as set out in the sales agreement, Fujifilm Group has the right to return the finished goods of PWB film or ask for a lower price and investigate the default liability.

(3) Flexibility in establishing pricing

According to paragraph 21 of the Appendix to IAS 18, the last sentence states that ''one feature indicating that an entity is acting as an agent is that the amount the entity earns is predetermined, being either a fixed fee per transaction or a stated percentage of the amount billed to the customer''.

Our Directors consider that this feature does not apply to the Arrangement with Fujifilm Group as our Group has ability in establishing prices of the products sold to Fujifilm Group. Normally, in determining our sales price, we principally take into account material costs, labour cost, processing overheads and a mark-up, and our Group has the ability to set our target mark-up and negotiate with Fujifilm Group. Fujifilm Group will not make any compensation for over-consumed master rolls of PWB film or other materials in the processing process, likewise, Fujifilm Group will not enjoy a lower purchase price of PWB film when there is less consumption of master rolls or other materials in the processing process. Our transactions with Fujifilm Group in respect of PWB film, medical dry film and medical wet film and their master rolls are not conducted on a back-to-back basis. Our purchase price negotiation with Fujifilm Group in respect of master rolls and sales price negotiation with Fujifilm Group in respect of finished goods are not conducted on a sales order to purchase order basis but conducted separately. Fujifilm Group hasn't given us any oral or written commitment that we can earn a sustainable mark-up percentage by connecting the master rolls purchase price and the selling price of the finished goods processed, which is indicated by the fluctuation in the gross profit margin of PWB film, medical dry film and medical wet film during the Track Record Period. Therefore, the mark-up percentage is not predetermined by Fujifilm Group in the manner contemplated under paragraph 21 of the Appendix to IAS 18.

(4) Credit Risk — our Group bears the customer's credit risk for the amount receivable from Fujifilm Group

We record trade receivables from Fujifilm Group for the sales to Fujifilm Group. Our Group is subject to credit risk if Fujifilm Group defaults in payments. The trade payables due to Fujifilm Group for the purchase of master rolls and the trade receivables from Fujifilm Group for the sales of finished goods are settled separately. For PWB film, our Group bears the credit risk on the receivable due from Fujifilm Group. In this sub-topic, an important and more relevant feature indicates that our Group acts as principal in the sales of finished goods is that, pursuant to the sales agreement, our Group is entitled to the right of the collection of receivables due from Fujifilm Group on the gross sales amount rather the processing fee only, and our Group takes the credit risk on the gross sales amount accordingly. The fact that whether there were payables due to Fujifilm Group for the purchase of master rolls is not relevant to whether our Group bears the credit risk in the sales of goods. If there were payables due to Fujifilm Group, the credit risk for receivables due from Fujifilm Group if Fujifilm Group defaults in payments may somehow be reduced after the time of the transaction, but in any event it would not eliminate such risk at the time of the transaction. Our Directors confirmed that there was not any netting-off arrangement for the trade payable and trade receivable balances with Fujifilm Group during the Track Record Period.

The above features indicate our Group has exposure to credit risk associated with the sale of goods.

After applying the above indicators, our Directors are of the view that the Arrangement with Fujifilm Group should be reported on the gross basis.

After considering all the relevant facts and circumstances of the Arrangement with Fujifilm Group in respect of PWB film, the Directors are of the view that our Group has exposure to the significant risks and rewards associated with the sale of goods and acts a principal accordingly, and revenue from sales of PWB films to Fujifilm Group should be reported based on the gross amount charged to Fujifilm Group in accordance with applicable accounting standards under IAS 18.

Accounting treatment of our color photographic paper transactions with the Processing Group in FY2010 and FY2011

The transactions for sale of master rolls of color photographic paper to the Processing Group and purchase of color photographic paper from the Processing Group (namely, the "**Arrangement with Processing Group**") are accounted for on a gross basis (i.e. record the gross sales amount and related cost of sales in the income statement and recognize the inventory in the balance sheet), rather than recognizing the net amount as subcontracting arrangement (i.e. record the net sales amount (subcontracting income) in the income statement and not to recognize the inventory in the balance sheet).

According to International Accounting Standard 18 ("IAS 18") — Revenue — paragraph 21 of the Appendix, it states that an entity is acting as a principal when it has exposure to the significant risks and rewards associated with the sales of goods.

Based on the assessment of the contractual terms of the relevant sales and purchase agreements for the Arrangement with the Processing Group and the advice of the PRC Legal Advisers, our Directors represented that the Arrangement with Processing Group has the following features which indicated that the transactions should be accounted for as trading income rather than as subcontracting arrangement:

(1) Processing Group was the primary obligor in the arrangement

The fact that the Processing Group was responsible for processing the products desired by our Group is a strong indicator of the Processing Group's role in the transactions. The master rolls purchase agreements and the finished goods sales agreements were different agreements.

The Processing Group was responsible for fulfilment, including the acceptability of the products ordered by the relevant subsidiaries of our Group. If the goods were returned by our Group due to quality defects, it was the responsibility of the Processing Group to bear the costs.

(2) Inventory Risk — Processing Group bore inventory risk

The Processing Group had the ownership and took the inventory risks upon receipt of master rolls from Yestar Technology and before delivery of finished goods to Yestar Shanghai, regardless of the price negotiation process and payment methods and took the full risk of damage or loss of the inventories. The Processing Group also needed to bear the cost for inventory management such as (where applicable) warehouse rentals and the cost for obsolete and damaged inventory items.

(3) Flexibility in establishing pricing

The Processing Group had the ability to negotiate with our Group and determine the selling prices of products sold to our Group by mutual agreement. Our Group did not give the Processing Group any oral or written commitments that the Processing Group could earn a sustainable mark-up percentage when adjusting the master rolls purchase price and the selling price of the finished goods processed.

(4) Credit Risk

We recorded trade receivables from the Processing Group for the sales of color photographic paper master rolls to the Processing Group and recorded trade payables to the Processing Group for the purchase of color photographic paper from the Processing Group. The Processing Group was subject to credit risk if Yestar Shanghai defaulted in payments. The trade payables due to Yestar Technology for the purchase of master rolls, and the trade receivables from Yestar Shanghai for the sales of finished goods, were settled separately. Our Directors confirmed that there was not any netting-off arrangement for the trade payable and trade receivable balances between the Processing Group and us during the Track Record Period.

The above features indicated that the Processing Group had exposure to credit risk associated with the sale of goods.

After applying the above indicators, our Directors are of the view that the Arrangement with Processing Group should be reported on the gross basis.

Accounting treatment of our color photographic paper transactions with the Processing Group in FY2012

As set out in the outsourcing arrangement for color photographic paper in the section headed "Business — Processing — Outsourcing" in this Prospectus, in January 2012, Yestar Technology entered into a subcontracting contract with the Processing Group. The change of the contract arrangement significantly changed the substance relating to significant risks and rewards associated with the transactions. The transactions in FY2012 were, in substance, rendering of service, i.e. processing services provided by the Processing Group. Our Directors represented that the arrangements for the processing of color photographic paper by the Processing Group were recognised on a net basis as subcontracting fee in FY2012 instead of on gross basis as sales and purchases.

Based on the assessment of the contractual terms of the subcontracting agreements for color photographic paper with the Processing Group and the advice of the PRC Legal Advisers, our Directors represented that the subcontracting arrangement with the Processing Group for the processing of color photographic paper had the following features which indicated that the transactions should be accounted for on a net basis (i.e. record the net amount as subcontracting fee in the income statement and to recognize the inventory in the balance sheet) according to International Accounting Standard 18 ("IAS 18") — Revenue.

1) Inventory Risk — our Group bears inventory risk

Under the contract arrangement in FY2012, the Processing Group no longer took the title or bore the risks associated with the master rolls and finished goods of color photographic paper. Instead, our Group had the ownership and took the inventory risks during the whole process of the transaction, including the ownership of the scrap materials after the processing.

2) Pricing

Under the contract arrangement in FY2012, the gross inflow of economic benefits from the subcontracting services provided by the Processing Group was the subcontracting fee and packaging fee paid by Yestar Technology, rather than the sales of finished goods of color photographic paper to Yestar Technology.

After considering all the relevant facts and circumstances of the arrangement with the Processing Group in respect of the processing of color photographic paper in FY2012, our Directors are of the view that the Processing Group had no exposure to the significant risks and rewards associated with the master rolls and finished goods of color photographic paper, and the transactions should be accounted for on a net basis according to International Accounting Standard 18 ("IAS 18") — Revenue.

Accounting treatment of our Yes!Star industrial NDT x-ray film transactions with the Processing Group

Our Directors represented that the arrangements with the Processing Group for the processing of Yes!Star industrial NDT x-ray film were recognized on a net basis as subcontracting fee.

Based on the assessment of the contractual terms of the subcontracting agreements for Yes!Star industrial NDT x-ray film with the Processing Group and the advice of the PRC Legal Advisers, the Directors represented that the subcontracting arrangement with the Processing Group for the processing of Yes!Star industrial NDT x-ray film had the following features which indicated that the transactions should be accounted for on a net basis (i.e. record the net amount as subcontracting fee in the income statement and to recognize the inventory in the balance sheet of the Group) according to International Accounting Standard 18 ("IAS 18") — Revenue.

(1) Inventory Risk — our Group bore inventory risk

Our Group had the ownership and took the inventory risks during the whole process of the transaction, including the ownership of the scrap materials after the processing.

(2) Pricing

The gross inflow of economic benefits from the subcontracting services provided by the Processing Group was the subcontracting fee paid by Yestar Technology, rather than the sales of finished goods of Yes!Star industrial NDT x-ray film to Yestar Technology.

DESCRIPTION OF SELECTED INCOME STATEMENTS LINE ITEMS

Revenue

We classify our revenue by product types, namely, (i) color photographic paper (which can be further classified as minilab color photographic paper and professional color photographic paper), (ii) medical imaging products (which comprise medical dry film, medical wet film and dental film), (iii) industrial imaging products (which comprise industrial NDT x-ray film and PWB film), (iv) other image printing products (which mainly comprise color photographic paper master rolls to the Processing Group, document printing equipment and consumables and other photo-related products) and (v) FMCG.

Our total revenue amounted to about RMB523.2 million, RMB977.1 million, RMB955.8 million, RMB371.8 million and RMB414.0 million for FY2010, FY2011, FY2012 and five months ended 31 May 2012 and 2013, respectively. We effectively ceased our FMCG business in December 2011 and such business no longer contributed to our revenue since 2012. Revenue derived from FMCG business amounted to about RMB10.0 million, RMB68.1 million, nil, nil and nil for FY2010, FY2011, FY2012 and five months ended 31 May 2012 and 2013 respectively.

Sales of color photographic paper was our key revenue driver which contributed about 83.9%, 53.9%, 62.7%, 67.0% and 43.9% of our total revenue for FY2010, FY2011, FY2012 and five months ended 31 May 2012 and 2013, respectively. Meanwhile, sales of other image printing products contributed about 7.1%, 4.5%, 2.7%, 2.8% and 2.0% of our total revenue for FY2010, FY2011, FY2012 and five months ended 31 May 2012 and 2013, respectively. We have launched medical dry film, dental film and medical wet film as our medical imaging products in 2010, 2011 and 2012 respectively. Along with the expansion of portfolio of our medical imaging products and substantial growth in sales of medical dry film and wet film during the Track Record Period, sales of medical imaging products accounted for about 7.1%, 31.0%, 30.8%, 26.7% and 42.1% of our total revenue for FY2010, FY2011, FY2012 and five months ended 31 May 2012 and 2013, respectively. Amongst the medical imaging products, sales of medical dry film (our major medical imaging products) represented about 7.1%, 31.0%, 29.3%, 26.5% and 31.8% of our total revenue for FY2010, FY2011, FY2012 and five months ended 31 May 2012 and 2013, respectively. In respect of industrial imaging products, we launched Yes!Star industrial NDT x-ray film in 2011, Fujifilm industrial NDT x-ray film and PWB film in 2012. Sales of industrial imaging products accounted for about 3.6%, 3.8%, 3.5% and 12.0% of our total revenue for FY2011, FY2012 and five months ended 31 May 2012 and 2013, respectively. The significant growth in sales of industrial imaging products for the five months ended 31 May 2013 was mainly attributable to the substantial growth in sales of PWB film. Sales of FMCG accounted for about 1.9% and 7.0% of our total revenue for FY2010 and FY2011. It no longer contributed to our revenue since 2012, since we effectively ceased our FMCG business in December 2011.

Cost of sales

Our cost of sales principally consisted of cost of materials, representing about 97.0%, 97.4%, 96.4%, 95.9% and 95.4% of our total costs of sales for FY2010, FY2011, FY2012 and five months ended 31 May 2012 and 2013, respectively.

Gross profit

Our total gross profit amounted to about RMB85.3 million, RMB163.4 million, RMB167.3 million, RMB72.2 million and RMB73.7 million for FY2010, FY2011, FY2012 and five months ended 31 May 2012 and 2013, respectively, with respective gross profit margin of about 16.3%, 16.7%, 17.5%, 19.4% and 17.8%.

We effectively ceased our FMCG business in December 2011 and such business no longer contributed to our revenue since 2012. Gross profit derived from our FMCG business amounted to about RMB2.9 million, RMB12.2 million, nil, nil and nil for FY2010, FY2011, FY2012 and five months ended 31 May 2012 and 2013, respectively. Excluding the gross profit derived from our FMCG business, our gross profit increased by about RMB68.8 million or about 83.4%, from about RMB82.5 million for FY2010 to about RMB151.2 million for FY2011, and further increased by about RMB16.1 million or about 10.6% to about RMB167.3 million for FY2012. Excluding the gross profit derived from our FMCG business, our gross profit margin were about 16.1%, 16.6% and 17.5% for FY2010, FY2011 and FY2012, respectively.

Other income and gains

Our other income and gains mainly comprises marketing services income received from Fujifilm Group (please refer to the section headed "Business — Cooperation in the Fujifilm Group in respect of some of our products — Marketing services fees" in this Prospectus), non-recurring government grants from PRC government authorities in connection with certain financial support to local business enterprises for the purpose of encouraging business development, sales of scrap materials of medical imaging products and interest income.

Selling and distribution expenses

Our selling and distribution expenses were about RMB38.5 million, RMB55.8 million, RMB49.6 million, RMB21.5 million and RMB21.3 million for FY2010, FY2011, FY2012 and five months ended 31 May 2012 and 2013, respectively, which accounted for about 7.4%, 5.7%, 5.2%, 5.8% and 5.1% of our total revenue for the corresponding years, respectively. Our selling and distribution expenses mainly comprise wages, salaries and other employee benefits expenses of our sales staff, freight charges incurred for transportation of goods to customers, advertising and marketing expenses, rental expense of branch companies and representative offices, depreciation and amortization expenses and other sales activities related expenses such as office expenses and travelling expenses, etc..

Administrative expenses

Our administrative expenses were about RMB24.7 million, RMB41.5 million, RMB41.1 million, RMB15.9 million and RMB21.9 million for FY2010, FY2011, FY2012 and five months ended 31 May 2012 and 2013, respectively, which accounted for about 4.7%, 4.2%, 4.3%, 4.3% and 5.3% of our total revenue for the corresponding periods, respectively. Our administrative expenses mainly comprise wages, salaries and other employee benefits expenses of our administrative staff, legal and professional fees for audit services, legal advisory services and services for listing project, office expenses, travelling and transportation expenses, depreciation and amortization expenses, rental expense, entertainment expense, sundry tax and stamp duty and other administrative expenses.

Other expenses

Our other expenses mainly comprise bad debt expense, bank charges, loss on disposal of fixed assets, impairment of assets and other miscellaneous expenses.

Finance costs

Our finance costs mainly consist of interests on the interest-bearing loans borrowed by certain members of our Group and guarantee fee paid to third party guarantor.

Income tax expense

We are incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Islands Companies Law. The Cayman Islands currently levy no taxes on corporations based upon profits, income, gains or appreciations. Our subsidiary incorporated in the BVI is registered as a BVI business company under the BVI Business Companies Act and exempted from all provisions of the BVI Income Tax Act (as amended). For our subsidiary incorporated in Hong Kong, Hong Kong profit tax is set at the rate of 16.5% on the estimated assessable profit arising in Hong Kong. No provision for Hong Kong profit tax has been made as we had no assessable profit derived from or earned in Hong Kong during the Track Record Period.

Our tax charges mainly represent the PRC corporate income tax and deferred income tax during the Track Record Period.

Under the PRC Corporation Income Tax Law which was approved and became effective on 1 January 2008, except for Yestar Technology for FY2010, all of our operating subsidiaries in the PRC were subject to a statutory tax rate of 25% during the Track Record Period. In accordance with the relevant income tax laws and regulations of the PRC for manufacturing enterprises, Yestar Technology was exempted from corporate income tax for two years commencing from their first profit-making year and was entitled to a 50% reduction in the PRC corporate income tax for the subsequent three years from 1 January 2008 to 31 December 2010. Therefore, the applicable income tax rate of Yestar Technology was 12.5% for FY2010 and 25% for FY2011, FY2012 and five months period ended 31 May 2013.

REVIEW OF HISTORICAL OPERATING RESULTS

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

	FY2010	**FY2011**	**FY2012**	**For the five months ended 31 May 2012**	**For the five months ended 31 May 2013**
Revenue growth	14.8%	86.8%	(2.2)%	N/A	11.4%
Net profit growth	2.7%	122.8%	20.2%	N/A	(18.1)%
Gross profit margin (Note a)	16.3%	16.7%	17.5%	19.4%	17.8%
Net profit margin before interest and tax (Note b)	5.7%	7.5%	8.8%	9.6%	7.9%
Net profit margin (Note c)	4.1%	4.9%	6.1%	6.6%	4.9%
Return on equity (Note d)	17.4%	29.9%	40.3%	N/A	12.6%
Return on total assets (Note e)	5.7%	9.9%	9.6%	N/A	3.1%
Average inventory turnover days (Note f)	99.9	61.9	71.9	N/A	90.2
Average debtors' turnover days (Note g)	7.2	9.1	26.3	N/A	39.8
Average creditors' turnover days (Note h)	67.9	64.1	99.1	N/A	119.2
Current ratio (Note i)	1.5	1.4	1.1	N/A	1.1
Quick ratio (Note j)	0.7	0.9	0.7	N/A	0.7
Gearing ratio (Note k)	27.8%	25.7%	30.2%	N/A	38.4%
Debt to equity ratio (Note l)	(23.7)%	(52.6)%	(77.4)%	N/A	(41.5)%
Interest coverage (Note m)	11.4	20.5	29.4	45.4	18.8

Notes:

a. Gross profit margin for each of FY2010, FY2011, FY2012 and five months ended 31 May 2012 and 2013 were calculated based on gross profit of our Group for the respective years/periods divided by the revenue of our Group for the respective years/periods.

b. Net profit margin before interest and tax for each of FY2010, FY2011, FY2012 and five months ended 31 May 2012 and 2013 were calculated based on net profit before deducting finance costs (including guarantee fee) and income tax expenses of our Group for the respective years/periods divided by the revenue of our Group for the respective years/periods.

c. Net profit margin for each of FY2010, FY2011, FY2012 and five months ended 31 May 2012 and 2013 were calculated based on profit of our Group for the respective years/periods divided by the revenue of our Group for the respective years/periods.

d. Return on equity for each of FY2010, FY2011, FY2012 and five months ended 31 May 2013 were calculated based on the profit attributable to the shareholders of our Company for the respective years/period divided by the equity attributable to the shareholders of our Company as at respective dates and multiplied by 100%.

e. Return of total assets for each of FY2010, FY2011, FY2012 and five months ended 31 May 2013 were calculated based on the profit attributable to the shareholders of our Company for the respective years/period divided by the total assets of our Group as at respective dates and multiplied by 100%.

f. Average inventory turnover days for each of FY2010, FY2011, FY2012 and five months ended 31 May 2013 were calculated as the average inventories balance of the beginning and ending of the year/period divided by the cost of sales of the respective years/period and multiplied by 365 days/151 days.

g. Average debtors' turnover days for each of FY2010, FY2011, FY2012 and five months ended 31 May 2013 were calculated as the average trade and bills receivables balance of the beginning and ending of the year/period divided by the revenue of the respective years/period and multiplied by 365 days/151 days.

h. Average creditors' turnover days for each of FY2010, FY2011, FY2012 and five months ended 31 May 2013 were calculated as the average trade and bills payables balance of the beginning and ending of the year/period divided by the cost of sales of the respective years/period and multiplied by 365 days/151 days.

i. Current ratios as at 31 December 2010, 2011, 2012 and 31 May 2013 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.

j. Quick ratios as at 31 December 2010, 2011, 2012 and 31 May 2013 were calculated based on the current assets minus inventories (net of specific provision of inventories) of our Group as at the respective dates divided by total current liabilities of our Group as at the respective dates.

k. Gearing ratios as at 31 December 2010, 2011, 2012 and 31 May 2013 were calculated based on the total interest-bearing loans of our Group as at the respective dates divided by total equity of our Group as at the respective dates and multiplied by 100%.

l. Debt to equity ratios as at 31 December 2010, 2011, 2012 and 31 May 2013 were calculated based on the total interest-bearing loans minus cash and cash equivalents of our Group as at the respective dates divided by total assets minus total liabilities of our Group as at the respective dates and multiplied by 100%.

m. Interest coverage for each of FY2010, FY2011, FY2012 and five months ended 31 May 2012 and 2013 were calculated based on the net profit before deducting finance costs (including guarantee fee) and income tax expenses of our Group for the respective years/periods divided by interest of our Group for the respective years/periods.

Further details on revenue growth, net profit growth, gross profit margin, net profit margin, average inventory turnover days, average debtors' turnover days and average creditors' turnover days are set out in the paragraphs headed "Revenue", "Profit for the year and net profit margin", "Gross profit and gross profit margin", "Profit for the year and net profit margin"/"Profit for the period and net profit margin", "Inventories", "Trade and bills receivables" and "Trade and bills payables", respectively in this section.

Owing to the effect of economies of scale along with the increase in revenue during the Track Record Period and better control on selling and distribution expenses and administrative expense, our net profit margin before interest and tax increased from about 5.7% for FY2010 to about 7.5% for FY2011, and further increased to about 8.8% for FY2012. Our net profit margin before interest and tax decreased from 9.6% for the five months ended 31 May 2012 to 7.9% for the five months ended 31 May 2013, mainly attributable to the decrease in gross profit margin.

Due to the rapid development of our business in the medical imaging products segment, our return on equity increased significantly from about 17.4% for FY2010 to about 29.9% for FY2011. It increased to about 40.3% for FY2012 mainly due to lower equity bases as at 31 December 2012 after the declaration of dividend in 2012. Our return on equity for the five months ended 31 May 2013 was about 12.6%.

Our return on total assets were about 5.7%, 9.9% and 9.6% for FY2010, FY2011 and FY2012, respectively. The reason for the increase in return on total assets from FY2010 to FY2011 is the same as that for the increase in return of equity from FY2010 to FY2011 as mentioned above. Our return on total assets remained stable for FY2012. Our return on total assets for the five months ended 31 May 2013 was about 3.1%.

Our current ratios were stable and maintained at about 1.5 and 1.4 as at 31 December 2010 and 2011, respectively. It decreased to about 1.1 as at 31 December 2012 after the declaration of dividend in 2012 and remained stable at about 1.1 as at 31 May 2013.

Due to our improved financial performance during FY2011, our quick ratios increased significantly from about 0.7 as at 31 December 2010 to about 0.9 as at 31 December 2011. It decreased to about 0.7 as at 31 December 2012 after the declaration of dividend in 2012 and remained stable at about 0.7 as at 31 May 2013.

As at 31 December 2010, 2011 and 2012 and 31 May 2013, our gearing ratios were about 27.8%, 25.7%, 30.2% and 38.4% respectively. The increase of gearing ratios from 31 December 2012 to 31 May 2013 was mainly due to the increase in interest-bearing loans as at 31 May 2013.

Owing to our improving financial performance during FY2010, FY2011 and FY2012 without significant change in the level of borrowing and thus interest incurred, our debt to equity ratios and interest coverage generally showed an improving trend from 31 December 2010 to 31 December 2012. As at 31 May 2013, we have maintained a net cash position for debt to equity ratio. Owing to increase in finance cost as a result of increase in average interest-bearing loans for the five months ended 31 May 2013, our interest coverage decreased from about 45.4 for the five months ended 31 May 2012 to about 18.8 for the five months ended 31 May 2013.

The following table presents our selected historical combined financial information for the Track Record Period:

COMBINED INCOME STATEMENTS

				Five months ended 31 May	
	FY2010	**FY2011**	**FY2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Revenue	523,177	977,098	955,818	371,794	414,024
Cost of sales	(437,873)	(813,679)	(788,508)	(299,615)	(340,354)
Gross profit	85,304	163,419	167,310	72,179	73,670
Gross profit margin	16.3%	16.7%	17.5%	19.4%	17.8%
Other income and gains	8,184	10,834	8,468	1,308	2,444
Selling and distribution expenses	(38,464)	(55,777)	(49,638)	(21,488)	(21,266)
Administrative expenses	(24,694)	(41,465)	(41,101)	(15,908)	(21,866)
Other expenses	(536)	(4,146)	(591)	(473)	(326)
Finance costs	(2,603)	(3,562)	(2,875)	(784)	(1,739)
Profit before tax	27,191	69,303	81,573	34,834	30,917
Income tax expense	(5,515)	(21,008)	(23,540)	(10,256)	(10,797)
Profit for the year/period	21,676	48,295	58,033	24,578	20,120
Net profit margin	4.1%	4.9%	6.1%	6.6%	4.9%
Attributable to:					
Owners of the parent	19,297	47,312	56,517	24,004	20,281
Non-controlling interests	2,379	983	1,516	574	(161)
	21,676	48,295	58,033	24,578	20,120

The five months ended 31 May 2012 compared with the five months ended 31 May 2013

Revenue

Our total revenue increased by about RMB42.2 million or about 11.4%, from about RMB371.8 million for the five months ended 31 May 2012 to about RMB414.0 million for the five months ended 31 May 2013. Such increase was primarily attributable to the net off effect of (i) decrease in sales volume of color photographic paper by about 28.6%, mainly due to fierce market competition as a result of competitive pricing strategies of other leading market player in the PRC color photographic paper market; (ii) increase in sales of medical imaging products by about RMB75.0 million or about 75.6%, from about RMB99.1 million for the five months ended 31 May 2012 to about RMB174.1 million for the five months ended 31 May 2013, mainly attributable to increase in sales volume of medical dry film by about 30.9% due to increase in market demand and increase in sales volume of medical wet film after it was launched in late 2012; and (iv) increase in sales of industrial imaging products by about RMB36.7 million or about 281.1%, from about RMB13.0 million for the five months ended 31 May 2012 to about RMB49.7 million for the five months ended 31 May 2013, mainly attributable to the increase in sales volume of PWB film after it was launched in late 2012. We effectively ceased our FMCG business in December 2011 and such business no longer contributed to our revenue for the five months ended 31 May 2012 and 2013.

Revenue by product types

The following table sets forth our revenue by product types and the percentage contribution of each product type to our total revenue for the periods indicated:

	Five months ended 31 May 2012		Five months ended 31 May 2013		Period to period growth of revenue
	Revenue	**% of total**	**Revenue**	**% of total**	
	RMB'000	*%*	*RMB'000*	*%*	*%*
Color photographic paper					
minilab	141,373	38.0	80,921	19.5	(42.8)
professional	107,805	29.0	100,879	24.4	(6.4)
Sub-total of color photographic paper	***249,178***	***67.0***	***181,800***	***43.9***	***(27.0)***
Medical imaging products	99,122	26.7	174,097	42.1	75.6
Industrial imaging products	13,049	3.5	49,730	12.0	281.1
Other image printing products *(Note 1)*	10,445	2.8	8,397	2.0	(19.6)
Total (excluding FMCG)	**371,794**	**100.0**	**414,024**	**100.0**	**11.4**
FMCG	—	—	—	—	N/A
Total	**371,794**	**100.0**	**414,024**	**100.0**	**11.4**

Note:

(1) No revenue was generated from sales of color photographic paper master rolls to the Processing Group for the five months ended 31 May 2012 and 2013.

Color photographic paper

During FY2010 to FY2012, ranked as the first in terms of both revenue and sales volume in the minilab color photographic paper market, we endeavoured to maintain our leading position as well as maximize our profits by increasing our selling price higher than the average selling price in the market. During FY2010 to FY2012, ranked as the second in terms of both revenue and sales volume in the professional color photographic paper market, we endeavoured to position our high quality professional color photographic paper at selling price relatively comparable with that of the market.

Despite our leading market position from 2009 to 2012, the demand of our color photographic paper decreased during the five months ended 31 May 2013. To the best knowledge of our Directors, such decrease in demand was mainly due to fierce competition in the color photographic paper market, as a result of enhanced product quality and competitive pricing strategies adopted by other leading market player. Therefore, our sales of color photographic paper, which represented about 67.0% and 43.9% of our total revenue for the five months ended 31 May 2012 and 2013 respectively, decreased by about RMB67.4 million or about 27.0%, from about RMB249.2 million for the five months ended 31 May 2012 to about RMB181.8 million for the five months ended 31 May 2013.

The following table sets forth our revenue, sales volume and average selling price of color photographic paper for the periods indicated:

	Five months ended 31 May 2012			**Five months ended 31 May 2013**			
	Revenue	**Sales volume**	**Average selling price**	**Revenue**	**Sales volume**	**Average selling price**	**Period to period growth of revenue**
	RMB'000	*Sq.m.'000*	*RMB/sq.m.*	*RMB'000*	*Sq.m.'000*	*RMB/sq.m.*	*%*
Color photographic paper							
minilab	141,373	9,576	14.8	80,921	5,380	15.0	(42.8)
professional	107,805	7,147	15.1	100,879	6,561	15.4	(6.4)
Total	**249,178**	**16,723**	**14.9**	**181,800**	**11,941**	**15.2**	**(27.0)**

Owing to the decrease in demand for our color photographic paper during the five months ended 31 May 2013 as mentioned above, sales volume of our minilab color photographic paper and professional color photographic paper decreased by about 43.8% and 8.2% respectively from the five months ended 31 May 2012 to the five months ended 31 May 2013. To the best knowledge of our Directors, since the PRC minilab color photographic paper market was expected to be shrinking while PRC professional color photographic paper was expected to be growing, the effect from fierce market competition mentioned above was more significant on our minilab color photographic paper. Therefore, the magnitude of decrease in sales volume of minilab color photographic paper was greater than that of decrease in sales volume of professional color photographic paper.

The following table sets forth our revenue for color photographic paper by sales channels for the periods indicated:

	Five months ended 31 May 2012				Five months ended 31 May 2013				Period to period growth of revenue
	Revenue	**% of total**	**Sales volume**	**Average selling price**	**Revenue**	**% of total**	**Sales volume**	**Average selling price**	
	RMB'000	*%*	*Sq.m.'000*	*RMB /sq.m.*	*RMB'000*	*%*	*Sq.m.'000*	*RMB /sq.m.*	*%*
Wholesalers channel for color photographic paper									
minilab	100,199	40.2	6,812	14.7	48,753	26.8	3,282	14.9	(51.3)
professional	65,175	26.2	4,392	14.8	38,529	21.2	2,593	14.9	(40.9)
Sub-total	***165,374***	***66.4***	***11,204***	***14.8***	***87,282***	***48.0***	***5,875***	***14.9***	***(47.2)***
End users channel for color photographic paper									
minilab	41,174	16.5	2,764	14.9	32,168	17.7	2,098	15.3	(21.9)
professional	42,630	17.1	2,755	15.5	62,350	34.3	3,968	15.7	46.3
Sub-total	***83,804***	***33.6***	***5,519***	***15.2***	***94,518***	***52.0***	***6,066***	***15.6***	***12.8***
Total	**249,178**	**100.0**	**16,723**	**14.9**	**181,800**	**100.0**	**11,941**	**15.2**	**(27.0)**

As one of our business strategies, we closely monitor the market situation and manage the proportion of our sales to wholesalers and end users strategically with the aim to maximizing our profit. Generally, we aimed to focus on the wholesalers channel in the minilab color photographic paper market and the end users channel in the professional color photographic paper market. Please refer to the section headed "Business — Sales and Marketing — Management of sales channels — Color photographic paper" in this Prospectus for more details.

Having considered the business-to-consumer nature of minilab color photographic paper market, where the end users are mainly image printing shops which process photos for individual customers, sales orders made by end users are generally smaller. Due to the low cost-effectiveness in distributing minilab color photographic paper to end users, in order to maximize our profit, we adopted a sales channel management strategy to focus on sales to wholesalers for our minilab color photographic paper.

Having considered that the professional color photographic paper market is a business-to-business market which (i) sales orders made by end users are generally large in quantities; and (ii) it is more cost effective to distribute professional color photographic paper to end users, we focused on sales to end users for our professional color photographic paper.

As wholesalers generally made larger purchases than end users, the average unit price for our sales to wholesalers was lower than that for end users during the Track Record Period. In determining the price, we also took into account our cost and the added value of the ancillary services we provided to wholesalers to help them promote their sales, such as providing sales guidance to our wholesalers and providing technical guidance, equipment maintenance and other support services to help their customers in their photofinishing businesses.

Wholesalers channel

Our sales of minilab color photographic paper to wholesalers decreased by about RMB51.4 million or about 51.3%, from about RMB100.2 million for the five months ended 31 May 2012 to about RMB48.8 million for the five months ended 31 May 2013. Despite of our sales channel management strategy to focus on wholesaler channels in the minilab color photographic paper market, the decrease in sales of minilab color photographic paper was mainly due to decrease in sales volume of minilab color photographic paper to wholesalers by about 51.8%. Such decrease was mainly resulted from decrease in demand as a result of fierce market competition in the color photographic paper market.

Our sales of professional color photographic paper to wholesalers decreased by about RMB26.6 million or about 40.9%, from about RMB65.2 million for the five months ended 31 May 2012 to about RMB38.5 million for the five months ended 31 May 2013. The sales volume of professional color photographic paper to wholesalers decreased by about 41.0%, mainly attributable to (i) the decrease in demand as a result of fierce market competition in the color photographic paper market and (ii) our sales channel management strategy to focus on end users channels in the professional color photographic paper market.

End users channel

Our sales of minilab color photographic paper to end users decreased by about RMB9.0 million or about 21.9%, from about RMB41.2 million for the five months ended 31 May 2012 to about RMB32.2 million for the five months ended 31 May 2013. Such decrease was mainly attributable to decrease in sales volume of about 24.1% resulted form decrease in demand as a result of fierce market competition in the color photographic paper market.

Despite of the decrease in the demand of our color photographic paper as mentioned above, our sales channel management strategy to focus on the end users channel in the professional color photographic paper market led to increase in sales of professional color photographic paper to end users by about RMB19.7 million or about 46.3%, from about RMB42.6 million for the five months ended 31 May 2012 to about RMB62.4 million for the five months ended 31 May 2013.

Medical imaging products

Our revenue from medical imaging products, which represented about 26.7% and 42.1% of our total revenue for the five months ended 31 May 2012 and 2013 respectively, increased by about RMB75.0 million or about 75.6%, from about RMB99.1 million for the five months ended 31 May 2012 to about RMB174.1 million for the five months ended 31 May 2013. Our medical imaging products comprised of medical dry film, medical wet film and dental film, in which medical wet film was launched in late 2012 and only contributed revenue for the five months ended 31 May 2013. Among the three types of medical imaging products, sales of medical dry film accounted for the largest proportion of our revenue of medical imaging products for the five months ended 31 May 2012 and 2013; sales of Yes!Star dental film represented about 0.2% and 0.3% of our total revenue or about 0.6% and 0.7% of our revenue of medical imaging products for the five months ended 31 May 2012 and 2013 respectively; and sales of medical wet film represented about 10.0% of our total revenue or about 23.8% of our revenue of medical imaging products for the five months ended 31 May 2013.

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

	Five months ended 31 May 2012			**Five months ended 31 May 2013**			
	Revenue	**Sales volume**	**Average selling price**	**Revenue**	**Sales volume**	**Average selling price**	**Period to period growth of revenue**
	RMB'000	*Sq.m.'000*	*RMB /sq.m.*	*RMB'000*	*Sq.m.'000*	*RMB/sq.m.*	*%*
Medical imaging products	99,122	2,144	46.2	174,097	4,115	42.3	75.6

The increase in revenue of medical imaging products was primarily due to (i) increase in sales volume of medical dry film by about 30.9% resulted from increase in demand from our customer, which was attributable to the increase in market demand of medical dry film; and (ii) increase in sales volume of medical wet film, which was launched in late 2012 (revenue attributable to sales of medical wet film amounted to about RMB41.4 million and sales volume represented less then 35% of total sales volume of medical imaging products for the five months ended 31 May 2013). The average selling price of medical imaging products decreased by about 8.4%, from about RMB46.2 per sq.m. for the five months ended 31 May 2012 to about RMB42.3 per sq.m. for the five months ended 31 May 2013, primarily due to the lower average selling price of medical wet film as compared with the average selling price of medical dry film. For the five months ended 31 May 2012 and 2013, the average selling price of dental film was higher than that of medical dry film and medical wet film.

For the five months ended 31 May 2012 and 2013, nearly all of our medical imaging products were sold to wholesalers.

Industrial imaging products

Our sales of industrial imaging products, which represented about 3.5% and 12.0% of our total revenue for the five months ended 31 May 2012 and 2013 respectively, increased by about RMB36.7 million or about 281.1%, from RMB13.0 million for the five months ended 31 May 2012 to about RMB49.7 million for the five months ended 31 May 2013. Our industrial imaging products comprised of Yes!Star industrial NDT x-ray film, Fujifilm industrial NDT x-ray film and PWB film, in which PWB film was launched in late 2012 and only contributed revenue for the five months ended 31 May 2013. Among the three types of industrial imaging products, sales of Yes!Star industrial NDT x-ray film represented about 3.5% and 3.7% of our total revenue or about 99.8% and 30.7% of our revenue of industrial imaging products for the five months ended 31 May 2012 and 2013 respectively; sales of Fujifilm industrial NDT x-ray film represented less than 0.1% and 0.1% of our total revenue or about 0.2% and less than 0.1% of our revenue of industrial imaging products for the five months ended 31 May 2012 and 2013 respectively; and sales of PWB film represented about 8.3% of our total revenue or about 69.3% of our revenue of industrial imaging products for the five months ended 31 May 2013.

The increase in sales of industrial imaging products was mainly due to increase in sales volume of PWB film after it was launched in late 2012. The sales volume of our industrial imaging products increased from about 71,000 sq.m. for the five months ended 31 May 2012 to about 872,000 sq.m. for the five months ended 31 May 2013, mainly due to the increase in sales volume of PWB film. The average selling price of our industrial imaging products decreased from about RMB183.8 per sq.m for the five months ended 31 May 2012 to about RMB57.0 per sq.m for the five months ended 31 May 2013, mainly due to the lower average selling price of PWB film as compared with that of Yes!Star industrial NDT x-ray film. Among the three types of industrial imaging products, sales volume of Yes!Star industrial NDT x-ray film was the largest and second largest for the five months ended 31 May 2012 and 2013 respectively; sales volume of Fujifilm industrial NDT x-ray film was insignificant for the five months ended 31 May 2012 and 2013; and sales volume of PWB film represented over 90% of total sales volume of industrial imaging products. For the five months ended 31 May 2012 and 2013, among the three industrial imaging products, average selling price of Fujifilm industrial NDT x-ray film was the highest, followed by that of Yes!Star industrial NDT x-ray film, while that of PWB film was the lowest.

About RMB9.9 million and RMB13.7 million, or about 75.8% and 89.8% of our revenue from sales of Yes!Star industrial NDT x-ray film were generated from sales to wholesalers for the five months ended 31 May 2012 and 2013 respectively, while about RMB3.1 million and RMB1.6 million, or about 24.2% and 10.2% of such revenue were generated from sales to end users for the five months ended 31 May 2012 and 2013 respectively. For PWB film, all of them were sold to a wholesaler.

Other image printing products

Our sales of other image printing products, which represented about 2.8% and 2.0% of our total revenue for the five months ended 31 May 2012 and 2013, respectively, decreased by about RMB2.0 million or about 19.6% from about RMB10.4 million for the five months ended 31 May 2012 to about RMB8.4 million for the five months ended 31 May 2013. Such decrease was mainly attributable to decrease in sales of photofinishing equipment. No revenue was generated from sales of color photographic paper master rolls to the Processing Group for each of the five months ended 31 May 2012 and 2013.

Cost of sales

Our cost of sales increased by about RMB40.7 million or about 13.6%, from about RMB299.6 million for the five months ended 31 May 2012 to about RMB340.4 million for the five months ended 31 May 2013. As material cost was the major component of our cost of sales, representing about

95.9% and 95.4% of the total cost of sales for each of the five months ended 31 May 2012 and 2013, the increase in cost of sales was mainly due to increase in material cost of medical imaging products, partially offset by decrease in the material cost of color photographic paper.

The following table sets forth the breakdown of cost of sales and the percentage contribution of each item to our total cost of sales for the periods indicated:

	Five months ended 31 May 2012		Five months ended 31 May 2013		Period to period growth
	Cost of sales	% of total	Cost of sales	% of total	
	RMB'000	*%*	*RMB'000*	*%*	*%*
Material cost for:					
Color photographic paper	174,714	58.3	128,975	37.9	(26.2)
Medical imaging products	83,095	27.7	138,417	40.7	66.6
Industrial imaging products	8,953	3.0	36,885	10.8	312.0
Other image printing products	9,520	3.2	7,506	2.2	(21.2)
Packaging materials	11,144	3.7	12,860	3.8	15.4
FMCG	—	—	—	—	N/A
Total material costs	***287,426***	***95.9***	***324,643***	***95.4***	***12.9***
Processing overhead	12,189	4.1	15,711	4.6	28.9
Total cost of sales	**299,615**	**100.0**	**340,354**	**100.0**	**13.6**

Our material cost of color photographic paper, which mainly comprised cost of color photographic paper master rolls purchased from our supplier, decreased by about RMB45.7 million or about 26.2%, from about RMB174.7 million for the five months ended 31 May 2012 to about RMB129.0 million for the five months ended 31 May 2013. Such decrease was mainly attributable to decrease in sales volume of color photographic paper, partially offset by increase in average material cost of color photographic paper by about 3.8% from about RMB10.4 per sq.m. for the five months ended 31 May 2012 to about RMB10.8 per sq.m. for the five months ended 31 May 2013.

Our material cost of medical imaging products increased by about RMB55.3 million or about 66.6%, from about RMB83.1 million for the five months ended 31 May 2012 to about RMB138.4 million for the five months ended 31 May 2013. Such increase was mainly due to increase in sales volume of medical dry film, the major revenue contributor in the medical imaging products segment for the five months ended 31 May 2012 and 2013, and increase in cost of sales of our newly launched medical wet film in late 2012. The average material cost of medical imaging products decreased by about 13.4% from about RMB38.8 per sq.m. for the five months ended 31 May 2012 to about RMB33.6 per sq.m. for the five months ended 31 May 2013, mainly attributable to the lower average material cost of our newly launched medical wet film as compared with that of the medical dry film. For the five months ended 31 May 2012 and 2013, the average unit cost of dental film was higher than that of medical dry film and medical wet film.

Our material cost of industrial imaging products increased by about RMB27.9 million or about 312.0%, from about RMB9.0 million for the five months ended 31 May 2012 to about RMB36.9 million for the five months ended 31 May 2013. Such increase was mainly due to (i) increase in average material cost of industrial NDT x-ray film by about 6.2% from about RMB125.7 per sq.m. for the five months ended 31 May 2012 to about RMB133.5 per sq.m. for the five months ended 31 May 2013 and (ii) additional material cost of our newly launched PWB film in late 2012, with average material cost of about RMB32.5 per sq.m. for the five months ended 31 May 2013. The average material cost of our industrial imaging products decreased from about RMB126.1 per sq.m. for the five months ended 31 May 2012 to about RMB42.3 per sq.m. for the five months ended 31 May 2013, mainly due to the lower average material cost of PWB film, which was sold since late 2012, as compared with that of industrial NDT x-ray film. Fujifilm industrial NDT x-ray film, though with an average unit cost higher than that of Yes!Star industrial NDT x-ray film and PWB film, represented an insignificant amount of the material cost of industrial imaging products for the five months ended 31 May 2012 and 2013.

Our material cost of other image printing products decreased by about RMB2.0 million or about 21.2%, from about RMB9.5 million for the five months ended 31 May 2012 to about RMB7.5 million for the five months ended 31 May 2013. The decrease was line with the decrease in revenue of such products.

Our cost of processing overhead increased by about RMB3.5 million or about 28.9%, from about RMB12.2 million for the five months ended 31 May 2012 to about RMB15.7 million for the five months ended 31 May 2013. The increase was mainly attributable to additional cost of newly launched products.

Gross profit and gross profit margin

Our total gross profit increased by about RMB1.5 million or about 2.1%, from about RMB72.2 million for the five months ended 31 May 2012 to about RMB73.7 million for the five months ended 31 May 2013, mainly due to increase in our revenue. As we effectively ceased our FMCG business in December 2011, no gross profit was derived from FMCG business for the five months ended 31 May 2012 and 2013.

Our gross profit margin decreased by about 1.6%, from about 19.4% for the five months ended 31 May 2012 to about 17.8% for the five months ended 31 May 2013. Such decrease was mainly attributable to decrease in gross profit margin of color photographic paper, our largest revenue contributor, and increase in gross profit contributed by medical imaging products, which had lower gross profit margin as compared with that of other major products.

Gross profit and gross profit margin by products

The following table sets forth our gross profit and gross profit margin by product type and the percentage contribution of each product type to our total gross profit for the periods indicated:

	Five months ended 31 May 2012			Five months ended 31 May 2013			Period to period growth of gross profit
	Gross profit	% of total	Gross profit margin	Gross profit	% of total	Gross profit margin	
	RMB'000	*%*	*%*	*RMB'000*	*%*	*%*	*%*
Color photographic paper							
minilab	30,393	42.1	21.5	15,569	21.1	19.2	(48.8)
professional	27,470	38.1	25.5	24,728	33.6	24.5	(10.0)
Sub-total of color photographic paper	***57,863***	***80.2***	***23.2***	***40,297***	***54.7***	***22.2***	***(30.4)***
Medical imaging products	9,970	13.8	10.1	26,351	35.8	15.1	164.3
Industrial imaging products	3,421	4.7	26.2	6,131	8.3	12.3	79.2
Other image printing products	925	1.3	8.9	891	1.2	10.6	(3.7)
Total (excluding FMCG)	**72,179**	**100.0**	**19.4**	**73,670**	**100.0**	**17.8**	**2.1**
FMCG	—	—	—	—	—	—	N/A
Total	**72,179**	**100.0**	**19.4**	**73,670**	**100.0**	**17.8**	**2.1**

Color photographic paper

Our gross profit of minilab color photographic paper and professional color photographic paper decreased by about RMB14.8 million and RMB2.7 million, or about 48.8% and 10.0%, respectively, from about RMB30.4 million and RMB27.5 million respectively for the five months ended 31 May 2012 to about RMB15.6 million and RMB24.7 million respectively for the five months ended 31 May 2013, while the respective gross profit margin decreased by about 2.3% and 1.0% respectively, from about 21.5% and 25.5% respectively for the five months ended 31 May 2012 to about 19.2% and 24.5% respectively for the five months ended 31 May 2013.

The following table sets forth our gross profit and gross profit margin for color photographic paper by sales channels for the periods indicated:

	Five months ended 31 May 2012			Five months ended 31 May 2013			Period to period growth of gross profit
	Gross profit	% of total	Gross profit margin	Gross profit	% of total	Gross profit margin	
	RMB'000	*%*	*%*	*RMB'000*	*%*	*%*	*%*
Wholesalers channel for color photographic paper							
minilab	21,254	36.7	21.2	8,884	22.0	18.2	(58.2)
professional	15,808	27.3	24.3	8,437	21.0	21.9	(46.6)
Subtotal	***37,062***	***64.0***	***22.4***	***17,321***	***43.0***	***19.8***	***(53.3)***
End users channel for color photographic paper							
minilab	9,139	15.8	22.2	6,685	16.6	20.8	(26.9)
professional	11,662	20.2	27.4	16,291	40.4	26.1	39.7
Subtotal	***20,801***	***36.0***	***24.8***	***22,976***	***57.0***	***24.3***	***10.5***
Total	**57,863**	**100.0**	**23.2**	**40,297**	**100.0**	**22.2**	**(30.4)**

Wholesalers channel

Our gross profit from sales of minilab color photographic paper to wholesalers decreased by about RMB12.4 million or about 58.2%, from about RMB21.3 million for the five months ended 31 May 2012 to about RMB8.9 million for the five months ended 31 May 2013, while the respective gross profit margin decreased by about 3.0%, from about 21.2% for the five months ended 31 May 2012 to about 18.2% for the five months ended 31 May 2013. The significant decrease in gross profit was mainly attributable to decrease in respective gross profit margin and significant decrease in sales volume of minilab color photographic paper to wholesalers as mentioned in the paragraph headed "Combined income statements — The five months ended 31 May 2012 compared with the five months ended 31 May 2013 — Revenue by product types — Color photographic paper — Wholesalers channel" in this section.

Our gross profit from sales of professional color photographic paper to wholesalers decreased by about RMB7.4 million or about 46.6%, from about RMB15.8 million for the five months ended 31 May 2012 to about RMB8.4 million for the five months ended 31 May 2013, while the respective gross profit margin decreased by about 2.4%, from about 24.3% for the five months ended 31 May 2012 to about 21.9% for the five months ended 31 May 2013. The significant decrease in gross profit was mainly attributable to decrease in respective gross profit margin and decrease in sales volume of professional color photographic paper to wholesalers as mentioned in the paragraph headed "Combined income statements — The five months ended 31 May 2012 compared with the five months ended 31 May 2013 — Revenue by product types — Color photographic paper — Wholesalers channel" in this section.

End users channel

Our gross profit from sales of minilab color photographic paper to end users decreased by about RMB2.5 million or about 26.9%, from about RMB9.1 million for the five months ended 31 May 2012 to about RMB6.7 million for the five months ended 31 May 2013, while the respective gross profit margin decreased by about 1.4%, from about 22.2% for the five months ended 31 May 2012 to about 20.8% for the five months ended 31 May 2013. The decrease in gross profit was mainly attributable to decrease in respective gross profit margin and decrease in sales volume of minilab color photographic paper to end users as mentioned in the paragraph headed "Combined income statements — The five months ended 31 May 2012 compared with the five months ended 31 May 2013 — Revenue by product types — Color photographic paper — End users channel" in this section.

Our gross profit from sales of professional color photographic paper to end users increased by about RMB4.6 million or about 39.7%, from about RMB11.7 million for the five months ended 31 May 2012 to about RMB16.3 million for the five months ended 31 May 2013, while the respective gross profit margin decreased by about 1.3%, from about 27.4% for the five months ended 31 May 2012 to about 26.1% for the five months ended 31 May 2013. The increase in gross profit was mainly attributable to the increase in sales volume of professional color photographic paper to end users as a result of our sales channel management strategy to focus on end user channel in the professional color photographic paper market, partially offset by decrease in gross profit margin.

In general, for both wholesalers channel and end users channel, the gross profit margin of sales of both minilab color photographic paper and professional color photographic paper decreased from the five months ended 31 May 2012 to the five months ended 31 May 2013. Such decrease was primarily due to increase in average material cost of color photographic paper.

Medical imaging products

Our gross profit from sales of medical imaging products significantly increased by about RMB16.4 million or about 164.3%, from about RMB10.0 million for the five months ended 31 May 2012 to about RMB26.4 million for the five months ended 31 May 2013, while the respective gross profit margin increased by about 5.0% from about 10.1% for the five months ended 31 May 2012 to about 15.1% for the five months ended 31 May 2013. The increase in gross profit was mainly attributable to increase in sales volume of medical dry film and gross profit contribution from sales of our newly launched medical wet film in late 2012. The increase in gross profit margin of medical imaging products was mainly attributable to (i) increase in gross profit margin of medical dry film because of slight increase in average selling price of medical dry film and the cost effectiveness gained from economies of scale resulted from increase in processing volume; and (ii) higher gross profit margin from sales of newly launched medical wet film as compared with that of medical dry film. For the five months ended 31 May 2012 and 2013, among our three types of medical imaging products, namely medical dry film, medical wet film and dental film (sales of medical wet film started in late 2012), the gross profit margin of sales of dental film was the highest, followed by that of medical wet film, while that of medical dry film was the lowest.

Industrial imaging products

Our gross profit of industrial imaging products increased by about RMB2.7 million or about 79.2%, from about RMB3.4 million for the five months ended 31 May 2012 to about RMB6.1 million for the five months ended 31 May 2013, while the gross profit margin decreased by about 13.9% from about 26.2% for the five months ended 31 May 2012 to about 12.3% for the five months ended 31 May 2013. The increase in gross profit was mainly attributable to increase in gross profit from sales of newly launched PWB film. The significant decrease in gross profit margin was mainly due to (i) lower gross profit margin from sales of PWB film as compared with that of Yes!Star industrial NDT x-ray film; and (ii) increase in average material cost of Yes!Star industrial NDT x-ray film. The gross profit of Yes!Star industrial NDT x-ray film decreased by about RMB0.5 million or about 13.6%, from about RMB3.4 million for the five months ended 31 May 2012 to about RMB3.0 million for the five months ended 31 May 2013, while the respective gross profit margin decreased by about 6.9% from about 26.3% for the five months ended 31 May 2012 to about 19.4% for the five months ended 31 May 2013. For the five months ended 31 May 2012 and 2013, among our three types of industrial imaging products, namely Yes!Star industrial NDT x-ray film, Fujifilm industrial NDT x-ray film and PWB film (sales of PWB film started in late 2012), the gross profit margin of sales of Yes!Star industrial NDT x-ray film was the highest, followed by that of PWB film, while that of Fujifilm industrial NDT x-ray film was the lowest.

Other image printing products

Our gross profit of other image printing products decreased by about RMB34,000 or about 3.7%, from about RMB0.9 million for the five months ended 31 May 2012 to about RMB0.9 million for the five months ended 31 May 2013, while the respective gross profit margin increased by about 1.7% from about 8.9% for the five months ended 31 May 2012 to about 10.6% for the five months ended 31 May 2013.

Other income and gains

Our other income increased by about RMB1.1 million or about 86.9%, from about RMB1.3 million for the five months ended 31 May 2012 to about RMB2.4 million for the five months ended 31 May 2013. Such increase was mainly attributable to increase in non-recurring government grants from local PRC government authorities by about RMB1.2 million and increase in sales of scrap materials of medical imaging products of about RMB0.3 million, partially offset by decrease in other miscellaneous income of about RMB0.5 million.

Selling and distribution expenses

The following table sets forth the breakdown of selling and distribution expenses by cost nature for the periods indicated:

	Five months ended 31 May 2012		Five months ended 31 May 2013		Change
		% of total		% of total	in %
	RMB'000	*%*	*RMB'000*	*%*	*%*
Wages, salaries and other employee benefit expenses	11,198	52.1	12,642	59.4	12.9
Freight charges	6,359	29.6	4,719	22.2	(25.8)
Advertising and marketing expenses	1,069	5.0	1,011	4.8	(5.4)
Rental expense	1,024	4.8	1,034	4.9	1.0
Depreciation and amortization	211	1.0	100	0.5	(52.6)
Others	1,627	7.5	1,760	8.2	8.2
Total	**21,488**	**100.0**	**21,266**	**100.0**	**(1.0)**

We effectively ceased our FMCG business in December 2011 and therefore no selling and distribution expense in relation to FMCG business was incurred for the five months ended 31 May 2012 and 2013.

Our selling and distribution expenses decreased by about RMB0.2 million or about 1.0%, from about RMB21.5 million for the five months ended 31 May 2012 to about RMB21.3 million for the five months ended 31 May 2013. Such decrease was mainly attributable to the net off effect of (i) increase in wages, salaries and other employee benefit expenses by about RMB1.4 million resulted from the net off effect of a decrease in average sales staff headcount by about 5.4% and raise of average salary by about 19.3%; and (ii) decrease in freight charges by about RMB1.6 million, which was mainly due to decreased sales of image printing products (freight charges incurred for sales of medical dry film, medical wet film and PWB film were paid by our customer).

Administrative expenses

The following table sets forth the breakdown of administrative expenses by cost nature for the periods indicated:

	Five months ended 31 May 2012		Five months ended 31 May 2013		Change
		% of total		% of total	in %
	RMB'000	%	*RMB'000*	%	%
Wages, salaries and other employee benefit expenses	5,646	35.5	7,057	32.3	25.0
Legal and professional fees	3,203	20.1	6,509	29.8	103.2
Office expenses	1,564	9.8	2,230	10.2	42.6
Travelling and transportation expenses	1,429	9.0	1,695	7.7	18.6
Depreciation and amortization	1,025	6.4	908	4.2	(11.4)
Rental expense	1,576	9.9	1,241	5.7	(21.3)
Entertainment expense	997	6.3	1,678	7.7	68.3
Sundry taxes and stamp duty	249	1.6	347	1.6	39.4
Others	219	1.4	201	0.8	(8.2)
Total	**15,908**	**100.0**	**21,866**	**100.0**	**37.5**

We effectively ceased our FMCG business in December 2011 and therefore no administrative expense in relation to FMCG business was incurred for the five months ended 31 May 2012 and 2013.

Our administrative expenses increased by about RMB6.0 million or about 37.5%, from about RMB15.9 million for the five months ended 31 May 2012 to about RMB21.9 million for the five months ended 31 May 2013. Such increase was mainly attributable to the net off effect of (i) increase in administrative staff cost by about RMB1.4 million, resulted from an increase in average administrative staff headcount by about 8.9%, raise of average salary by about 10.5% and increase in bonus paid of about RMB0.3 million; (ii) increase in legal and professional fees by about RMB3.3 million, of which about RMB0.3 million and RMB4.5 million of legal and professional fees were incurred for the listing project for the five months ended 31 May 2012 and 2013 respectively; (iii) increase in office expenses by about RMB0.7 million for general operation of our administrative offices; and (iv) increase in entertainment expenses by about RMB0.7 million to cope with our Group's business development.

Other expenses

Our other expenses decreased by about RMB0.1 million or about 31.1%, from about RMB0.5 million for the five months ended 31 May 2012 to about RMB0.3 million for the five months ended 31 May 2013.

Finance cost

Our finance costs increased by about RMB1.0 million or about 121.8%, from about RMB0.8 million for the five months ended 31 May 2012 to about RMB1.7 million for the five months ended 31 May 2013. Such increase was mainly due to increase in average interest-bearing loans during the five months ended 31 May 2013.

Income tax expense

Despite the decrease in profit before tax, our income tax expense increased by about RMB0.5 million, or about 5.3%, from about RMB10.3 million for the five months ended 31 May 2012 to about RMB10.8 million for the five months ended 31 May 2013. Such increase was mainly attributable to the increase in effect of withholding tax on the distributable profits of our Group's PRC subsidiaries from the five months ended 31 May 2012 to the five months ended 31 May 2013.

Profit for the period and net profit margin

Our profit for the period decreased by about RMB4.5 million or about 18.1%, from about RMB24.6 million for the five months ended 31 May 2012 to about RMB20.1 million for the five months ended 31 May 2013. Our net profit margin decreased from about 6.6% for the five months ended 31 May 2012 to about 4.9% for the five months ended 31 May 2013, primarily due to (i) decrease in gross profit margin of color photographic paper (please refer to paragraph headed "Combined income statements — The five months ended 31 May 2012 compared with the five months ended 31 May 2013 — Gross profit and gross profit margin" in this section); (ii) increase in sales of medical dry film, medical wet film and PWB film, which gross profit margin were generally lower than that of other major products; and (iii) increase in administrative expenses, mainly attributable to the increase in professional fees for our listing project.

Profit attributable to the owners of the parent

Our profit attributable to the owners of the parent decreased by about RMB3.7 million, or about 15.5%, from about RMB24.0 million for the five months ended 31 May 2012 to about RMB20.3 million for the five months ended 31 May 2013.

FY2012 compared with FY2011

Revenue

Our total revenue slightly decreased by about RMB21.3 million or about 2.2%, from about RMB977.1 million for FY2011 to about RMB955.8 million for FY2012. Since we effectively ceased our FMCG business in December 2011 and such business no longer contributed to our revenue since 2012, revenue of about RMB68.1 million for FY2011 derived from FMCG business were excluded in our analysis below.

Our revenue (excluding the revenue derived from our FMCG business) increased by about RMB46.8 million or about 5.1%, from about RMB909.0 million for FY2011 to about RMB955.8 million for FY2012. Such increase was primarily attributable to the net off effect of (i) the increase in average selling price of color photographic paper by about 8.7%, partly due to the general increase in market price and increase in our selling price in order to cope with the increase in the material price as a result of anti-dumping duty imposed on imported color photographic paper related products; (ii) increase in sales volume of color photographic paper by about 4.9%, mainly resulted from increase in market demand for professional color photographic paper in the PRC; (iii) slight decrease in sales of medical imaging products by about RMB8.5 million or about 2.8%, from about RMB303.3 million for FY2011 to about RMB294.7 million for FY2012, mainly due to decrease in sales volume of medical dry film; and (iv) decrease in sales of other image printing products by about RMB18.8 million or about 42.7%, from about RMB44.1 million for FY2011 to about RMB25.2 million for FY2012, mainly due to cessation of sales of color photographic paper master rolls to the Processing Group.

Revenue by product types

The following table sets forth our revenue by product types and the percentage contribution of each product type to our total revenue for the years indicated:

	FY2011		**FY2012**		**Year to year growth of revenue**
	Revenue	**% of total**	**Revenue**	**% of total**	
	RMB'000	*%*	*RMB'000*	*%*	*%*
Color photographic paper					
minilab	322,339	33.0	329,186	34.4	2.1
professional	204,608	20.9	270,285	28.3	32.1
Sub-total of color photographic paper	***526,947***	***53.9***	***599,471***	***62.7***	***13.8***
Medical imaging products	303,257	31.0	294,708	30.8	(2.8)
Industrial imaging products	34,758	3.6	36,407	3.8	4.7
Other image printing products *(Note 1)*	44,061	4.5	25,232	2.7	(42.7)
Total (excluding FMCG)	**909,023**	**93.0**	**955,818**	**100.0**	**5.1**
FMCG	68,075	7.0	—	—	(100.0)
Total	**977,098**	**100.0**	**955,818**	**100.0**	**(2.2)**

Note:

(1) Excluding the revenue from sales of color photographic paper master rolls to the Processing Group, our sales of other image printing products were about RMB22.5 million and RMB25.2 million for FY2011 and FY2012 respectively.

Color photographic paper

Due to the success of our market positioning and sales channel management strategies, our sales of color photographic paper, which represented about 53.9% and 62.7% of our total revenue for FY2011 and FY2012 respectively, increased by about RMB72.5 million or about 13.8%, from about RMB526.9 million for FY2011 to about RMB599.5 million for FY2012.

The following table sets forth our revenue, sales volume and average selling price of color photographic paper for the years indicated:

	FY2011			FY2012			Year to year growth of revenue
	Revenue	**Sales volume**	**Average selling price**	**Revenue**	**Sales volume**	**Average selling price**	
	RMB'000	*Sq.m.'000*	*RMB/sq.m.*	*RMB'000*	*Sq.m.'000*	*RMB/sq.m.*	*%*
Color photographic paper							
minilab	322,339	23,774	13.6	329,186	22,227	14.8	2.1
professional	204,608	14,396	14.2	270,285	17,830	15.2	32.1
Total	**526,947**	**38,170**	**13.8**	**599,471**	**40,057**	**15.0**	**13.8**

The increase in sales of color photographic paper was primarily attributable to the net off effect of (i) increase in average selling price of our minilab color photographic paper by about 8.8%, partly due to general increase in market price and increase in our selling price in order to cope with the increase in material price as a result of anti-dumping duty imposed on imported color photographic paper related products and slight decrease in sales volume of our minilab color photographic paper by about 6.5%, partly due to the increased selling price and the influence of anti-Japanese campaign during the second half of 2012; (ii) increase in average selling price of our professional color photographic paper by about 7.0%, for the same reasons as those for the increase in average selling price of our minilab color photographic paper mentioned above, and increase in sales volume of our professional color photographic paper by about 23.9%, which was in line with the trend of the professional color photographic paper market; and (iii) our successful sales channel management strategies.

The following table sets forth our revenue for color photographic paper by sales channels for the years indicated:

	FY2011				FY2012				
	Revenue	**% of total**	**Sales volume**	**Average selling price**	**Revenue**	**% of total**	**Sales volume**	**Average selling price**	**Year to year growth of revenue**
	RMB'000	*%*	*Sq.m.'000*	*RMB /sq.m.*	*RMB'000*	*%*	*Sq.m.'000*	*RMB /sq.m.*	*%*
Wholesalers channel for color photographic paper									
minilab	146,214	27.8	10,871	13.4	204,830	34.2	13,903	14.7	40.1
professional	108,049	20.5	7,773	13.9	138,025	23.0	9,312	14.8	27.7
Sub-total	***254,263***	***48.3***	***18,644***	***13.6***	***342,855***	***57.2***	***23,215***	***14.8***	***34.8***
End users channel for color photographic paper									
minilab	176,125	33.4	12,903	13.6	124,356	20.7	8,324	14.9	(29.4)
professional	96,559	18.3	6,623	14.6	132,260	22.1	8,518	15.5	37.0
Sub-total	***272,684***	***51.7***	***19,526***	***14.0***	***256,616***	***42.8***	***16,842***	***15.2***	***(5.9)***
Total	**526,947**	**100.0**	**38,170**	**13.8**	**599,471**	**100.0**	**40,057**	**15.0**	**13.8**

For our sales channel management strategies and pricing strategies for wholesalers and end users in respect of our sales of color photographic paper, please refer to the paragraph headed "Combined income statements — The five months ended 31 May 2012 compared with the five months ended 31 May 2013 — Revenue by product types — Color photographic paper" in this section.

Wholesalers channel

Our sales of minilab color photographic paper to wholesalers increased by about RMB58.6 million or about 40.1%, from about RMB146.2 million for FY2011 to about RMB204.8 million for FY2012. Our sales channel management strategy to focus on sales to wholesalers for our minilab color photographic paper led to increase in sales volume of minilab color photographic paper to wholesalers of about 27.9%. The increase in average selling price of minilab color photographic paper of about 9.7% was mainly due to the general increase in market price and increase in our selling price in order to cope with the increase in material price as a result of anti-dumping duty imposed on imported color photographic paper related products.

Our sales of professional color photographic paper to wholesalers increased by about RMB30.0 million or about 27.7%, from about RMB108.0 million for FY2011 to about RMB138.0 million for FY2012. To the best knowledge of our Directors, due to the increase in market demand for professional color photographic paper in the color photographic paper market in 2012, demand for our products in the end user market increased. However, it was our general policy to require full payment before delivery. To the best knowledge of our Directors, as some of the end users of professional color photographic paper, mainly photo processing labs, were not prepared to make relatively large amount of prepayment to our Group for their purchase orders, some of the end users purchased our products through wholesalers them, leading to mild increase in sales of our professional color photographic paper to wholesalers for FY2012.

End users channel

Our sales of minilab color photographic paper to end users decreased by about RMB51.8 million or about 29.4%, from about RMB176.1 million for FY2011 to about RMB124.4 million for FY2012. Such decrease was mainly attributable to the net off effect of (i) decrease in sales volume of about 35.5% due to our sales channel management strategy to focus on wholesaler channel for our minilab color photographic paper and (ii) increase in average selling price by about 9.6% which was mainly due to the the same reasons for the increase in average selling price of sales of minilab color photographic paper to wholesalers mentioned above.

Our sales channel management strategy to focus on the end users channel for our professional color photographic paper led to significant increase in relevant sales to end users by about RMB35.7 million or about 37.0%, from about RMB96.6 million for FY2011 to about RMB132.3 million for FY2012.

Medical imaging products

Our revenue from medical imaging products which represented about 31.0% and 30.8% of our total revenue for FY2011 and FY2012 respectively, slightly decreased by about RMB8.5 million or 2.8%, from about RMB303.3 million for FY2011 to about RMB294.7 million for FY2012. Our medical imaging products comprised of medical dry film, medical wet film and dental film, of which medical wet film was launched in late 2012 and only contributed to our revenue for FY2012. Among the three types of medical imaging products, sales of medical dry film accounted for the largest proportion of our revenue of medical imaging products for FY2011 and FY2012; sales of Yes!Star dental film represented less than 0.1% and about 0.2% of our total revenue or about 0.1% and 0.5% of our revenue of medical imageing products for FY2011 and FY2012 respectively; and sales of medical wet film represented about 1.4% of our total revenue or about 4.4% of our revenue of medical imaging products for FY2012.

The following table sets forth our revenue, sales volume and average selling price of medical imaging products for the years indicated:

	FY2011			FY2012			Year to year growth of revenue
	Revenue	**Sales volume**	**Average selling price**	**Revenue**	**Sales volume**	**Average selling price**	
	RMB'000	*Sq.m.'000*	*RMB/sq.m.*	*RMB'000*	*Sq.m.'000*	*RMB/sq.m.*	*%*
Medical imaging products	303,257	6,453	47.0	294,708	6,424	45.9	(2.8)

The decrease in revenue of medical imaging products was primarily due to (i) decrease in sales volume of medical dry film of about 6.9% resulted from greater demand from our customer in 2011, which, as we understand from our customer, was attributable to a surge in purchases from its new customers in FY2011 to stock up on the medical dry film in order to attain a certain inventory level in the end of 2011 (we understand from our customer that they considered it to be an infrequent incident); and partially offset by the increase in sales volume of medical wet film, which was launched in late 2012 (revenue attributable to sales of medical wet film amounted to about RMB13.1 million and its sales volume represented less than 10% of the total sales volume of medical imaging products for FY2012). The average selling price of medical imaging products decreased by about 2.3%, from about RMB47.0 per sq.m. for FY2011 to about RMB45.9 per sq.m. for FY2012, primarily due to the lower average selling price of medical wet film as compared with the average selling price of medical dry film. For FY2011 and FY2012, the average selling price of dental film was higher than that of medical dry film and medical wet film.

For FY2011 and FY2012, nearly all of our medical imaging products were sold to wholesalers.

Industrial imaging products

Our sales of industrial imaging products, which represented about 3.6% and 3.8% of our total revenue for FY2011 and FY2012 respectively, slightly increased by about RMB1.6 million or about 4.7%, from RMB34.8 million for FY2011 to about RMB36.4 million for FY2012. Our industrial imaging products comprised of Yes!Star industrial NDT x-ray film, Fujifilm industrial NDT x-ray film and PWB film, amongst which Fujifilm industrial NDT x-ray film and PWB film were launched in 2012. Among the three types of industrial imaging products, sales of Yes!Star industrial NDT x-ray film represented about 3.6% and 3.6% of our total revenue or about 100.0% and 94.2% of our revenue of industrial imaging products for FY2011 and FY2012 respectively; sales of Fujifilm industrial NDT x-ray film represented less than 0.1% of our total revenue or about 0.2% of our revenue of industrial imaging products for FY2012; and sales of PWB film represented about 0.2% of our total revenue or about 5.6% of revenue of industrial imaging products for FY2012.

The increase in sales of industrial imaging products was mainly due to the net off effect of (i) increase in sales of our newly launched PWB film during 2012; (ii) increase in average selling price of Yes!Star industrial NDT x-ray film in order to cope with the increase in material price; and (iii) decrease in sales volume of Yes!Star industrial NDT x-ray film. The sales volume of our industrial imaging products increased from about 214,000 sq.m. for FY2011 to about 246,000 sq.m. for FY2012, mainly due to the net off effect of the increase in sales volume of PWB film and decrease in sales volume of Yes!Star industrial NDT x-ray film. The average selling price of our industrial imaging products decreased from about RMB162.4 per sq.m. for FY2011 to about RMB148.0 per sq.m. for the 2012, mainly due to the net off effect of the lower average selling price of PWB film, as compared with that of Yes!Star industrial NDT x-ray film and the increase in average selling price of Yes!Star industrial NDT x-ray film. Among the three types of industrial imaging products, sales volume of Yes!Star industrial NDT x-ray film was the hightest for FY2011 and FY2012; sales volume of Fujifilm industrial NDT x-ray film was insignificant for FY2012; and sales volume of PWB film represented an immaterial portion of total sales volume of our industrial imaging products. For FY2011 and FY2012, among the three types of industrial imaging products, average selling price of Fujifilm industrial NDT x-ray film was the highest, followed by that of Yes!Star industrial NDT x-ray film, while that of PWB film was the lowest.

About RMB28.3 million and RMB28.8 million, or about 81.3% and 83.9% of our revenue from sales of Yes!Star industrial NDT x-ray film were generated from sales to wholesalers for FY2011 and FY2012 respectively, while about RMB6.5 million and RMB5.5 million, or about 18.7% and 16.1% of such revenue were generated from sales to end users for FY2011 and FY2012 respectively. For PWB film, all of them were sold to a wholesaler.

Other image printing products

Our sales of other image printing products, which represented about 4.5% and 2.7% of our total revenue for FY2011 and FY2012 respectively, decreased by about RMB18.8 million or about 42.7% from about RMB44.1 million for FY2011 to about RMB25.2 million for FY2012. Such decrease was mainly attributable to the cessation of sales of color photographic paper master rolls to the Processing Group since 2012, partially offset by slight increase in sales of other photo related products. Excluding the revenue from sales of color photographic paper master rolls to the Processing Group, our sales of other image printing products amounted to about RMB22.5 million and RMB25.2 million for FY2011 and FY2012 respectively.

Cost of sales

Our cost of sales decreased by about RMB25.2 million or about 3.1%, from about RMB813.7 million for FY2011 to about RMB788.5 million for FY2012. As material cost was the major component of our cost of sales, representing about 97.4% and 96.4% of the total cost of sales for each of FY2011 and FY2012, the decrease in cost of sales was mainly due to decrease in material cost of FMCG after cessation of such business in December 2011 and decrease in material cost of other image printing products, partially offset by the increase in the material cost of color photographic paper.

The following table sets forth the breakdown of cost of sales and the percentage contribution of each item to our total cost of sales for the years indicated:

	FY2011		FY2012		Year
	Cost of sales	% of total	Cost of sales	% of total	to year growth
	RMB'000	%	*RMB'000*	%	%
Material cost for:					
Color photographic paper	381,657	46.9	433,883	55.0	13.7
Medical imaging products	254,181	31.2	237,910	30.2	(6.4)
Industrial imaging products	23,837	2.9	26,839	3.4	12.6
Other image printing products	38,587	4.7	20,695	2.6	(46.4)
Packaging materials	38,476	4.7	41,069	5.2	6.7
FMCG	55,877	7.0	—	—	(100.0)
Total material costs	***792,615***	***97.4***	***760,396***	***96.4***	***(4.1)***
Processing overhead	21,064	2.6	28,112	3.6	33.5
Total cost of sales	**813,679**	**100.0**	**788,508**	**100.0**	**(3.1)**

Our material cost of color photographic paper, which mainly comprised cost of color photographic paper master rolls purchased from our supplier and cost of color photographic paper purchased from the Processing Group, increased by about RMB52.2 million or about 13.7%, from about RMB381.7 million for FY2011 to about RMB433.9 million for FY2012. Such increase was mainly attributable to the increase in sales volume of color photographic paper and increase in average material cost of color photographic paper by 8.0% from about RMB10.0 per sq.m. for FY2011 to about RMB10.8 per sq.m. for FY2012 due to the additional anti-dumping duty imposed on imported color photographic paper related products.

Our material cost of medical imaging products decreased by about RMB16.3 million or about 6.4%, from about RMB254.2 million for FY2011 to about RMB237.9 million for FY2012. Such decrease was mainly due to decrease in sales volume of medical dry film, the major revenue contributor in our medical imaging products segment for FY2011 and FY2012, partially offset by increase in cost of sales of our newly launched medical wet film during 2012. The average material cost of medical imaging products decreased by about 6.1% from about RMB39.4 per sq.m. for FY2011 to about RMB37.0 per sq.m. for FY2012 mainly attributable to the lower average material cost of our newly launched medical wet film as compared with that of medical dry film. For FY2011 and FY2012, the average unit cost of dental film was higher than that of medical dry film and medical wet film.

Our material cost of industrial imaging products increased by about RMB3.0 million or about 12.6%, from about RMB23.8 million for FY2011 to about RMB26.8 million for FY2012. Although the sales volume of industrial NDT x-ray film, our only industrial imaging product for FY2011 and major revenue contributor amongst our industrial imaging products for FY2012, decreased for FY2012, the increase in cost of sales of industrial imaging products was mainly due to the (i) increase in average material cost of industrial NDT x-ray film by about 21.1% from about RMB111.2 per sq.m. for FY2011 to about RMB134.7 per sq.m. for FY2012, as we were able to obtain relatively lower purchase price from our material supplier during the commencement of processing in 2011; and (ii) the additional material cost of our newly launched PWB film during 2012, with average material cost of about RMB24.6 per sq.m. for FY2012. The average material cost of our industrial imaging products decreased from about RMB111.2 per sq.m. for FY2011 to about RMB109.0 per sq.m. for FY2012, mainly due to the net off effect of increase in average material cost of industrial NDT x-ray film and the lower average material cost of PWB film, which was sold since 2012, as compared with that of industrial NDT x-ray film. Fujifilm industrial NDT x-ray film, though with an average unit cost higher than that of Yes!Star industrial NDT x-ray film and PWB film, accounted for an insignificant amount of material cost of industrial imaging products for FY2012.

Our material cost of other image printing products decreased by about RMB17.9 million or about 46.4%, from about RMB38.6 million for FY2011 to about RMB20.7 million for FY2012. The decrease was line with the decrease in revenue of such products.

Our cost of processing overhead increased by about RMB7.0 million or about 33.5%, from about RMB21.1 million for FY2011 to about RMB28.1 million for FY2012. The increase was mainly attributable to the increase in direct labour cost and other processing overhead as a result of the additional cost of newly launched products.

Gross profit and gross profit margin

Our total gross profit increased by about RMB3.9 million or about 2.4%, from about RMB163.4 million for FY2011 to about RMB167.3 million for FY2012, with respective gross profit margin of about 16.7% and 17.5%. Since we effectively ceased our FMCG business in December 2011, gross profit of about RMB12.2 million and nil for FY2011 and FY2012 derived from FMCG business were excluded in our analysis below.

Our gross profit (excluding that relating to the FMCG business) increased by about RMB16.1 million or about 10.6%, from about RMB151.2 million for FY2011 to about RMB167.3 million for FY2012. Such increase was mainly due to increase in our revenue and our ability to increase our overall gross profit margin.

Our gross profit margin (excluding that relating to the FMCG business) increased by about 0.9%, from about 16.6% for FY2011 to about 17.5% for FY2012. Such increase was mainly attributable to the increase in gross profit margin of color photographic paper, our largest revenue contributor, and other image printing products, which outweighed the decrease in gross profit margin of medical imaging products and industrial imaging products.

Gross profit and gross profit margin by products

The following table sets forth our gross profit and gross profit margin by product type and the percentage contribution of each product type to our total gross profit for the years indicated:

	FY2011			FY2012			Year to year
			Gross			Gross	growth of
	Gross profit	% of total	profit margin	Gross profit	% of total	profit margin	gross profit
	RMB'000	*%*	*%*	*RMB'000*	*%*	*%*	*%*
Color photographic paper							
minilab	53,152	32.5	16.5	57,868	34.6	17.6	8.9
professional	40,594	24.8	19.8	58,303	34.8	21.6	43.6
Sub-total of color photographic paper	***93,746***	***57.3***	***17.8***	***116,171***	***69.4***	***19.4***	***23.9***
Medical imaging products	42,203	25.8	13.9	39,667	23.7	13.5	(6.0)
Industrial imaging products	9,798	6.0	28.2	6,935	4.2	19.0	(29.2)
Other image printing products	5,474	3.4	12.4	4,537	2.7	18.0	(17.1)
Total (excluding FMCG)	**151,221**	**92.5**	**16.6**	**167,310**	**100.0**	**17.5**	**10.6**
FMCG	12,198	7.5	17.9	—	—	—	(100.0)
Total	**163,419**	**100.0**	**16.7**	**167,310**	**100.0**	**17.5**	**2.4**

Color photographic paper

Our gross profit from sales of minilab color photographic paper and professional color photographic paper increased by about RMB4.7 million and RMB17.7 million, or about 8.9% and 43.6%, respectively, from about RMB53.2 million and RMB40.6 million respectively for FY2011 to about RMB57.9 million and RMB58.3 million respectively for FY2012, while the respective gross profit margin increased by about 1.1% and 1.8% respectively, from about 16.5% and 19.8% respectively for FY2011 to about 17.6% and 21.6% respectively for FY2012.

The following table sets forth our gross profit and gross profit margin for color photographic paper by sales channels for the years indicated:

	FY2011			FY2012			
	Gross profit	% of total	Gross profit margin	Gross profit	% of total	Gross profit margin	Year to year growth of gross profit
	RMB'000	%	%	*RMB'000*	%	%	%
Wholesalers channel for color photographic paper							
minilab	23,124	24.7	15.8	35,114	30.2	17.1	51.9
professional	19,488	20.8	18.0	27,318	23.5	19.8	40.2
Subtotal	***42,612***	***45.5***	***16.8***	***62,432***	***53.7***	***18.2***	***46.5***
End users channel for color photographic paper							
minilab	30,028	32.0	17.0	22,754	19.6	18.3	(24.2)
professional	21,106	22.5	21.9	30,985	26.7	23.4	46.8
Subtotal	***51,134***	***54.5***	***18.8***	***53,739***	***46.3***	***20.9***	***5.1***
Total	**93,746**	**100.0**	**17.8**	**116,171**	**100.0**	**19.4**	**23.9**

Wholesalers channel

Our gross profit from sales of minilab color photographic paper to wholesalers increased by about RMB12.0 million or about 51.9%, from about RMB23.1 million for FY2011 to about RMB35.1 million for FY2012, while the respective gross profit margin increased by about 1.3%, from about 15.8% for FY2011 to about 17.1% for FY2012. The significant increase in gross profit was mainly attributable to increase in gross profit margin and significant increase in sales volume of minilab color photographic paper to wholesalers as a result of our sales channel management strategy to focus on sales to wholesalers for our minilab color photographic paper.

Our gross profit from sales of professional color photographic paper to wholesalers increased by about RMB7.8 million or about 40.2%, from about RMB19.5 million for FY2011 to about RMB27.3 million for FY2012, while the respective gross profit margin increased by about 1.8%, from about 18.0% for FY2011 to about 19.8% for FY2012. The significant increase in gross profit was mainly attributable to increase in gross profit margin and mild increase in sales volume of professional color photographic paper to wholesalers as mentioned in the paragraph headed "Combined income statements — FY2012 compared with FY2011 — Revenue by product types — Color photographic paper — Wholesalers channel" in this section.

End users channel

Our gross profit from sales of minilab color photographic paper to end users decreased by about RMB7.3 million or about 24.2%, from about RMB30.0 million for FY2011 to about RMB22.8 million for FY2012, while the respective gross profit margin increased by about 1.3%, from about 17.0% for FY2011 to about 18.3% for FY2012. The decrease in gross profit was mainly attributable to decrease in sales volume to end users as a result of our sales channel management strategy to focus on wholesalers channel for minilab color photographic paper, partially offset by the increase in gross profit margin.

Our gross profit of sales of professional color photographic paper to end users increased by about RMB9.9 million or about 46.8%, from about RMB21.1 million for FY2011 to about RMB31.0 million for FY2012, while the respective gross profit margin increased by about 1.5%, from about 21.9% for FY2011 to about 23.4% for FY2012. The significant increase in gross profit was mainly attributable to increase in gross profit margin and significant increase in sales volume of professional color photographic paper to end users as a result of our sales channel management strategy to focus on end user channel for professional color photographic paper.

In general, for both wholesalers channel and end users channel, the gross profit margin of sales of both minilab color photographic paper and professional color photographic paper increased from FY2011 to FY2012. Such increase was primarily due to (i) the cost effectiveness on processing gained from economies of scale resulted from increase in processing volume; (ii) increase in average selling price which was mainly due to increase in our selling price in order to cope with the increase in material price as a result of anti-dumping duty imposed on imported color photographic paper related products; and (iii) our general ability to transfer increase in material cost to our customers notwithstanding that market competition and demand of customers may at times affect our ability to transfer increase in material cost to our customers.

Medical imaging products

Our gross profit from sales of medical imaging products slightly decreased by about RMB2.5 million or about 6.0%, from about RMB42.2 million for FY2011 to about RMB39.7 million for FY2012, while the respective gross profit margin slightly decreased by about 0.4% from about 13.9% for FY2011 to about 13.5% for FY2012. The decrease in gross profit was mainly attributable to decrease in sales volume of medical dry film, partially offset by the gross profit from sales of our newly launched medical wet film during 2012. The decrease in gross profit margin of medical imaging products was mainly attributable to decrease in gross profit margin of medical dry film because of higher processing overhead for FY2012 as compared with that of FY2011. For FY2011 and FY2012, among our three types of medical imaging products, namely medical dry film, medical wet film and dental film (sales of medical wet film started in 2012), the gross profit margin of sales of dental film was the highest, followed by that of medical wet film, while that of medical dry film was the lowest.

Industrial imaging products

Our gross profit of industrial imaging products decreased by about RMB2.9 million or about 29.2%, from about RMB9.8 million for FY2011 to about RMB6.9 million for FY2012, while the respective gross profit margin decreased from about 28.2% for FY2011 to about 19.0% for FY2012. The decrease in gross profit and gross profit margin was mainly attributable to (i) gross loss from sales of PWB film during its commencement stage in 2012; and (ii) increase in average material cost of Yes!Star industrial NDT x-ray film, the only industrial imaging product for FY2011 and a major revenue contributor amongst our industrial imaging products for FY2012, as we were able to obtain relatively lower price from our raw material supplier during the commencement of processing in 2011. In order to maintain the market share of our Yes!Star industrial NDT x-ray film in 2012, the magnitude of increase in our average selling price was lower than the increase in average material cost. Therefore, the gross profit from sales of Yes!Star industrial NDT x-ray film decreased by about RMB2.8 million or about 28.4%, from about RMB9.8 million for FY2011 to about RMB7.0 million for FY2012, while the gross profit margin decreased by about 7.7% from about 28.2% for FY2011 to about 20.5% for FY2012. For FY2011 and FY2012, among our three types of industrial imaging products, namely Yes!Star industrial NDT x-ray film, Fujifilm industrial NDT x-ray film and PWB film (sales of Fujifilm industrial NDT x-ray film and PWB film started in 2012), the gross profit margin of sales of Yes!Star industrial NDT x-ray film was the highest, followed by that of Fujifilm industrial NDT x-ray film, while sales of PWB film recorded gross loss for FY2012.

Other image printing products

Our gross profit of other image printing products decreased by about RMB0.9 million or about 17.1%, from about RMB5.5 million for FY2011 to about RMB4.5 million for FY2012, while the respective gross profit margin increased by about 5.6% from about 12.4% for FY2011 to about 18.0% for FY2012. The decrease in gross profit was primarily due to the cessation of sales of color photographic paper master rolls to the Processing Group. The increase in gross profit margin was mainly due to increase in gross profit margin of other photo related products and the cessation of sales of color photographic paper master rolls, which had a relatively low gross profit margin for FY2011.

Other income and gains

Our other income decreased by about RMB2.4 million or about 21.8%, from about RMB10.8 million for FY2011 to about RMB8.5 million for FY2012. Such decrease was mainly attributable to (i) decrease of marketing services income from about RMB6.6 million for FY2011 to nil for FY2012; (ii) decrease in non-recurring government grants from local PRC government authorities by about RMB0.4 million; offset by (iii) increase in interest income of about RMB3.3 million; (iv) increase in sales of scrap materials of medical imaging products of about RMB0.9 million; and (v) increase in other miscellaneous income of about RMB0.4 million.

Selling and distribution expenses

The following table sets forth the breakdown of selling and distribution expenses by cost nature for the years indicated:

	FY2011		FY2012		
		% of total		% of total	Change in %
	RMB'000	%	*RMB'000*	%	%
Wages, salaries and other employee benefit expenses	23,566	42.3	26,934	54.3	14.3
Freight charges	14,765	26.5	12,996	26.2	(12.0)
Advertising and marketing expenses	10,997	19.7	2,092	4.2	(81.0)
Rental expense	2,695	4.8	2,454	4.9	(8.9)
Depreciation and amortization	353	0.6	794	1.6	124.9
Others	3,401	6.1	4,368	8.8	28.4
Total	**55,777**	**100.0**	**49,638**	**100.0**	**(11.0)**

Included in the selling and distribution expenses, the amount of expenses incurred directly in relation to sales activities of FMCG were about RMB14.9 million for FY2011. It mainly comprised (i) wages, salaries and other employee benefit expenses of about RMB2.6 million; (ii) freight charges of about RMB2.7 million; (iii) advertising and marketing expenses of about RMB8.8 million; (iv) rental expense of about RMB0.3 million; and (v) other sales activities related cost. Since we effectively ceased our FMCG business in December 2011, no selling and distribution expense in relation to FMCG business was incurred for FY2012.

Our selling and distribution expenses decreased by about RMB6.1 million or about 11.0%, from about RMB55.8 million for FY2011 to about RMB49.6 million for FY2012. Such decrease was mainly attributable to the net off effect of (i) increase in wages, salaries and other employee benefit expenses by about RMB3.4 million, resulted from the net off effect of a decrease in average sales staff headcount by about 13.6% due to the cessation of FMCG business, raise of average salary by about 18.9% and increase in bonus of about RMB2.7 million; (ii) decrease in freight charges by about RMB1.8 million mainly due to decrease in freight charges for FMCG business after effective cessation of FMCG business in December 2011, offset by the increase in freight charges for the increased sales of image printing products (freight charges incurred for sales of medical dry film, medical wet film and PWB film were paid by our customer); and (iii) decrease in advertising and marketing expenses by about RMB8.9 million, resulted from the effective cessation of FMCG business in December 2011.

Administrative expenses

The following table sets forth the breakdown of administrative expenses by cost nature for the years indicated:

	FY2011		FY2012		
		% of total		% of total	Change in %
	RMB'000	%	*RMB'000*	%	%
Wages, salaries and other employee benefit expenses	11,239	27.1	13,760	33.5	22.4
Legal and professional fees	8,128	19.6	7,661	18.6	(5.7)
Office expenses	4,834	11.7	4,451	10.8	(7.9)
Travelling and transportation expenses	3,793	9.1	4,557	11.1	20.1
Depreciation and amortization	2,249	5.4	2,916	7.1	29.7
Rental expense	6,126	14.8	3,775	9.2	(38.4)
Entertainment expense	2,339	5.6	2,540	6.2	8.6
Sundry taxes and stamp duty	1,911	4.6	516	1.3	(73.0)
Others	846	2.1	925	2.2	9.3
Total	**41,465**	**100.0**	**41,101**	**100.0**	**(0.9)**

Included in the administrative expenses, the amount of expenses incurred in relation to FMCG business were about RMB3.3 million for FY2011. It mainly comprised wages, salaries and other employee benefit expenses to staff who were related to FMCG business. Since we effectively ceased our FMCG business in December 2011, no administrative expense in relation to FMCG business was incurred for FY2012.

Our administrative expenses decreased by about RMB0.4 million or about 0.9%, from about RMB41.5 million for FY2011 to about RMB41.1 million for FY2012. Such decrease was mainly attributable to the net off effect of (i) increase in administrative staff cost by about RMB2.5 million resulted from an increase in average administrative staff headcount by about 2.5%, raise of average salary by about 11.7% and increase in bonus paid of about RMB0.6 million; (ii) increase in legal and professional fees by about RMB0.5 million (about RMB5.5 million and RMB4.3 million of legal and professional fees were incurred for our listing project for FY2011 and FY2012 respectively); (iii) decrease in office expenses by about RMB0.4 million; and (iv) decrease in rental expense by about RMB2.4 million.

Other expenses

Our other expenses decreased by about RMB3.6 million or about 85.7%, from about RMB4.1 million for FY2011 to about RMB0.6 million for FY2012, mainly attributable to the impairment of intangible assets and trade receivables incurred in FY2011.

Finance cost

Our finance costs decreased by about RMB0.7 million or about 19.3%, from about RMB3.6 million for FY2011 to about RMB2.9 million for FY2012. The decrease in our finance costs was mainly due to the decrease in average interest-bearing loans during FY2012.

Income tax expense

As a result of the increase in operating profit and thus taxable income, our income tax expense increased by about RMB2.5 million or about 12.1%, from about RMB21.0 million for FY2011 to about RMB23.5 million for FY2012.

Profit for the year and net profit margin

Our profit for the year increased by about RMB9.7 million or about 20.2%, from about RMB48.3 million for FY2011 to about RMB58.0 million for FY2012. Our net profit margin increased from about 4.9% for FY2011 to about 6.1% for FY2012, primarily due to (i) increase in gross profit margin of color photographic paper (please refer to the paragraph headed "Combined income statements — FY2012 compared with FY2011 — Gross profit and gross profit margin" in this section); (ii) improved corporate control on selling and distribution expenses as it represented about 5.7% of our total revenue for FY2011, and decreased to about 5.2% for FY2012; and (iii) decrease in other expenses (please refer to the paragraph headed "Combined income statements — FY2012 compared with FY2011 — Other expenses" in this section).

Profit attributable to the owners of the parent

Our profit attributable to the owners of the parent increased by about RMB9.2 million or about 19.5%, from about RMB47.3 million for FY2011 to about RMB56.5 million for FY2012.

FY2011 compared with FY2010

Revenue

Our total revenue increased by about RMB453.9 million or about 86.8%, from about RMB523.2 million for FY2010 to about RMB977.1 million for FY2011. Since we effectively ceased our FMCG business in December 2011 and such business no longer contributed to our revenue since 2012, revenue of about RMB10.0 million and RMB68.1 million for FY2010 and FY2011 derived from FMCG business were excluded in our analysis below.

Our revenue (excluding the revenue derived from our FMCG business) increased by about RMB395.8 million or about 77.1%, from about RMB513.2 million for FY2010 to about RMB909.0 million for FY2011. Such increase was primarily attributable to (i) the increase in average selling price of color photographic paper by about 6.2% to cope with the increase in material price as a result of the surge in silver price as well as the anti-dumping duties imposed on imported color photographic paper related products; (ii) increase in sales volume of color photographic paper by about 13.2%, mainly attributable to the increasing demand on our professional color photographic paper; (iii) increase in the sales of other image printing products for FY2011; (iv) the full year processing and sales of medical dry film for FY2011 as compared with the commencement of the business line in around July 2010 and greater demand for medical dry film from our customer in 2011, which we understand from our customer to be attributable to a surge in purchases from its new customers in 2011 to stock up on the medical dry film in order to attain a certain inventory level in the end of 2011 (we understand from our customer that they considered it to be an infrequent incident); and (v) the newly added products in 2011, i.e. industrial NDT x-ray film (one of our industrial imaging products) and dental film (one of our medical imaging products).

Revenue by product types

The following table sets forth our revenue by product types and the percentage contribution of each product type to our total revenue for the years indicated:

	FY2010		**FY2011**		**Year to year**
	Revenue	**% of total**	**Revenue**	**% of total**	**growth of revenue**
	RMB'000	*%*	*RMB'000*	*%*	*%*
Color photographic paper					
minilab	288,781	55.2	322,339	33.0	11.6
professional	150,067	28.7	204,608	20.9	36.3
Sub-total of color photographic paper	***438,848***	***83.9***	***526,947***	***53.9***	***20.1***
Medical imaging products	37,314	7.1	303,257	31.0	712.7
Industrial imaging products	—	—	34,758	3.6	N/A
Other image printing products *(Note 1)*	37,033	7.1	44,061	4.5	19.0
Total (excluding FMCG)	**513,195**	**98.1**	**909,023**	**93.0**	**77.1**
FMCG	9,982	1.9	68,075	7.0	582.0
Total	**523,177**	**100.0**	**977,098**	**100.0**	**86.8**

Note:

(1) Excluding the revenue from sales of color photographic paper master rolls to the Processing Group, our sales of other image printing products were about RMB23.8 million and RMB22.5 million for FY2010 and FY2011 respectively.

Color photographic paper

With the success of our market positioning and sales channel management strategies, our sales of color photographic paper, which represented about 83.9% and 53.9% of our total reveue for FY2010 and FY2011 respectively, increased by about RMB88.1 million or about 20.1%, from about RMB438.8 million for FY2010 to about RMB526.9 million for FY2011.

The following table sets forth our revenue, sales volume and average selling price of color photographic paper for the years indicated:

	FY2010			FY2011			
	Revenue	**Sales volume**	**Average selling price**	**Revenue**	**Sales volume**	**Average selling price**	**Year to year growth of revenue**
	RMB'000	*Sq.m. '000*	*RMB/sq.m.*	*RMB'000*	*Sq.m.'000*	*RMB/sq.m.*	*%*
Color photographic paper							
minilab	288,781	22,605	12.8	322,339	23,774	13.6	11.6
professional	150,067	11,112	13.5	204,608	14,396	14.2	36.3
Total	**438,848**	**33,717**	**13.0**	**526,947**	**38,170**	**13.8**	**20.1**

The increase in sales of color photographic paper was primarily attributable to (i) our mild increase in average selling price of minilab color photographic paper by about 6.3%, partly due to the general increase in market price and our price increase to cope with the increase in material price during the second half of 2011 as a result of the surge in silver price as well as the anti-dumping duties imposed on imported color photographic paper related products, and mild increase in sales volume of our minilab color photographic paper by about 5.2%; (ii) positioning the average selling price of our professional color photographic paper at a competitive price compared to that of the market which resulted in soar of our sales volume of professional color photographic paper by about 29.6%; and (iii) our successful sales channel management strategies.

The following table sets forth our revenue for color photographic paper by sales channels for the years indicated:

	FY2010				FY2011				
	Revenue	**% of total**	**Sales volume**	**Average selling price**	**Revenue**	**% of total**	**Sales volume**	**Average selling price**	**Year to year growth of revenue**
	RMB'000	*%*	*Sq.m. '000*	*RMB /sq.m.*	*RMB'000*	*%*	*Sq.m. '000*	*RMB /sq.m.*	*%*
Wholesalers channel for color photographic paper									
minilab	93,173	21.2	7,453	12.5	146,214	27.8	10,871	13.4	56.9
professional	83,300	19.0	6,263	13.3	108,049	20.5	7,773	13.9	29.7
Sub-total	***176,473***	***40.2***	***13,716***	***12.9***	***254,263***	***48.3***	***18,644***	***13.6***	***44.1***
End users channel for color photographic paper									
minilab	195,608	44.6	15,152	12.9	176,125	33.4	12,903	13.6	(10.0)
professional	66,767	15.2	4,849	13.8	96,559	18.3	6,623	14.6	44.6
Sub-total	***262,375***	***59.8***	***20,001***	***13.1***	***272,684***	***51.7***	***19,526***	***14.0***	***3.9***
Total	**438,848**	**100.0**	**33,717**	**13.0**	**526,947**	**100.0**	**38,170**	**13.8**	**20.1**

For our sales channel management strategies and pricing strategies for wholesalers and end users in respect of our sales of color photographic paper, please refer to the paragraph headed "Combined income statements — The five months ended 31 May 2012 compared with the five months ended 31 May 2013 — Revenue by product types — Color photographic paper" in this section.

Wholesalers channel

Our sales of minilab color photographic paper to wholesalers increased by about RMB53.0 million or about 56.9%, from about RMB93.2 million for FY2010 to about RMB146.2 million for FY2011. Such increase was mainly attributable to significant increase in sales volume by about 45.9%. Although our sales channel management strategy in FY2010 was to broaden our sales network to end users to capitalize on the higher gross profit margin, we adjusted our channel management strategy by focusing on wholesalers and major end users in FY2011 with the aim to maximizing our profit, which led the significant increase in sales volume of minilab color photographic paper to wholesales.

Our sales of professional color photographic paper to wholesalers increased by about RMB24.7 million or about 29.7%, from about RMB83.3 million for FY2010 to about RMB108.0 million for FY2011. Such increase was mainly due to increase in sales volume by about 24.1% as a result of increase in market demand.

End users channel

Our sales of minilab color photographic paper to end users decreased by about RMB19.5 million or about 10.0%, from about RMB195.6 million for FY2010 to about RMB176.1 million for FY2011. Such decrease was mainly due to decrease in sales volume by about 14.8%. Although our sales channel management strategy in FY2010 was to broaden our sales network to end users to capitalize on the higher gross profit margin, owing to the business-to-consumer nature of the minilab color photographic paper market, as it is less cost effective to distribute minilab color photographic paper to end users, we focused our sales effort on sales to wholesalers and major end users since 2011 in order to optimize our profit. Therefore, it led to significant increase in sales of minilab color photographic paper to wholesalers and decrease in sales of minilab color photographic paper to end users.

Our sales of professional color photographic paper to end users increased by about RMB29.8 million or about 44.6%, from about RMB66.8 million for FY2010 to about RMB96.6 million for FY2011. Such increase was mainly due to increase in sales volume by 36.6% as a result of our sales channel management strategy to focus on sales to end users for our professional color photographic paper.

Medical imaging products

For FY2010 and FY2011, our medical imaging products comprised of medical dry film and dental film, in which dental film was launched in 2011. Medical dry film was our sole revenue contributor in the medical imaging products segment for FY2010 and our largest revenue contributor in the medical imaging products segment for FY2011, while sales of dental film represented less than 0.1% of our total revenue or about 0.13% of our revenue of medical imaging products for FY2011.

As a result of the full year processing and sales of medical dry film in FY2011 (being the first and only medical imaging product sold in 2010 and major medical imaging products in 2011) as compared with the commencement of processing in around July 2010 and greater demand for medical dry film from our customer in 2011, which we understand from our customer to be attributable to a surge in purchases from its new customers in 2011 to stock up on the medical dry film in order to attain a certain inventory level in the end of 2011 (we understand from our customer that they considered it to be an infrequent incident), our medical imaging products revenue, which represented about 7.1% and 31.0% for FY2010 and FY2011 respectively, increased by about RMB265.9 million or about 712.7%, from about RMB37.3 million for FY2010 to about RMB303.3 million for FY2011.

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

	FY2010			FY2011			Year to year growth of revenue
	Revenue	Sales volume	Average selling price	Revenue	Sales volume	Average selling price	
	RMB'000	*Sq.m. '000*	*RMB/sq.m.*	*RMB'000*	*Sq.m. '000*	*RMB/sq.m.*	*%*
Medical imaging products	37,314	765	48.8	303,257	6,453	47.0	712.7

The increase in revenue of medical imaging products was primarily due to increase in sales volume of medical dry film of about 743.4%. The average selling price of medical imaging products decreased by about 3.7%, from about RMB48.8 per sq.m. for FY2010 to about RMB47.0 per sq.m. for FY2011, primarily due to decrease in selling price of medical dry film offered to our customer since around June 2011 because of increase in purchase volume from the customer in FY2011. For FY2011, the average selling price of dental film was higher than that of medical dry film.

For FY2010 and FY2011, nearly all of our medical imaging products were sold to wholesalers.

Industrial imaging products

We developed and sold Yes!Star industrial NDT x-ray film, our first and only industrial imaging product, in 2011, the sales of which represented about 3.6% of our total revenue. Since we were able to obtain relatively lower purchase price from our material supplier, we could sell such product at a competitive price in 2011. As a new player in the industrial NDT x-ray film market, our strategy was to focus on the wholesalers channel to increase our market share and market recognition of our products. The sales volume of our industrial imaging products was about 214,000 sq.m. while the average selling price was about RMB162.4 per sq.m. for FY2011.

For FY2011, about RMB28.3 million, or about 81.3% of our revenue from sales of Yes!Star industrial NDT x-ray film, were generated from sales to wholesalers, while about RMB6.5 million, or about 18.7% of such revenue, were generated from sales to end users.

Other image printing products

Our sales of other image printing products, which represented about 7.1% and 4.5% of our total revenue for FY2010 and FY2011 respectively, increased by about RMB7.0 million or about 19.0%, from about RMB37.0 million for FY2010 to about RMB44.1 million for FY2011. Such increase was mainly attributable to the increase in sales of color photographic paper master rolls to the Processing

Group and document printing equipment and consumables, offset by decrease in sales of other photo-related products. Excluding the revenue from sales of color photographic paper master rolls to the Processing Group, our sales of other image printing products were about RMB23.8 million and RMB22.5 million for FY2010 and FY2011 respectively.

Cost of sales

Our cost of sales increased by about RMB375.8 million or about 85.8%, from about RMB437.9 million for FY2010 to about RMB813.7 million for FY2011. Such increase was mainly due to the increase in the material cost, representing 97.0% and 97.4% of the total cost of sales for each of FY2010 and FY2011, which was in line with the growth in sales volume of our products.

The following table sets forth the breakdown of cost of sales and the percentage contribution of each item to our total cost of sales for the years indicated:

	FY2010		**FY2011**		**Year**
	Cost of sales	**% of total**	**Cost of sales**	**% of total**	**to year growth**
	RMB'000	*%*	*RMB'000*	*%*	*%*
Material cost for:					
Color photographic paper	338,166	77.2	381,657	46.9	12.9
Medical imaging products	30,858	7.0	254,181	31.2	723.7
Industrial imaging products	—	—	23,837	2.9	N/A
Other image printing products	30,737	7.0	38,587	4.7	25.5
Packaging material	18,049	4.1	38,476	4.7	113.2
FMCG	7,131	1.7	55,877	7.0	683.6
Total material costs	***424,941***	***97.0***	***792,615***	***97.4***	***86.5***
Processing overhead	12,932	3.0	21,064	2.6	62.9
Total cost of sales	**437,873**	**100.0**	**813,679**	**100.0**	**85.8**

Our material cost of color photographic paper, which mainly comprised cost of color photographic paper master rolls purchased from our supplier and cost of color photographic paper purchased from the Processing Group, increased by about RMB43.5 million or about 12.9%, from about RMB338.2 million for FY2010 to about RMB381.7 million for FY2011. Such increase was mainly attributable to increase in sales volume of color photographic paper. Although the purchase price for procurement of raw material from Fujifilm Group increased during the second half of 2011 because of the surge in silver price as well as the anti-dumping duties imposed on imported color photographic paper related products, the total cost of sales attributable to the purchase of finished goods from the Processing Group (which usually entail higher average unit cost) was higher in FY2010 than FY2011, resulting in the average material cost of color photographic paper for FY2010 and FY2011 remaining stable at about RMB10.0 per sq.m. for both FY2010 and FY2011.

Our material cost of medical imaging products increased by about RMB223.3 million or about 723.7%, from about RMB30.9 million for FY2010 to about RMB254.2 million for FY2011. Such increase was mainly attributable to increase in sales volume of medical dry film, our first and only medical imaging product for FY2010 and a major revenue contributor in our medical imaging products segment for FY2011. The average material cost of medical imaging products slightly decreased by about 2.2% from about RMB40.3 per sq.m. for FY2010 to about RMB39.4 per sq.m. for FY2011. For dental film, the average unit cost in FY2011 was higher than that of medical dry film.

Our material cost of industrial NDT x-ray film, our newly launched and only industrial imaging products in 2011, represented about 2.9% of our total cost of sales for FY2011. The average material cost of our industrial imaging products, which were solely for our industrial NDT x-ray film, was about RMB111.4 per sq.m. for FY2011.

Our material cost of other image printing products increased by about RMB7.9 million or about 25.5%, from about RMB30.7 million for FY2010 to about RMB38.6 million for FY2011, which was mainly attributable to increase in sales of color photographic paper master rolls to the Processing Group.

Our cost of processing overhead increased by about RMB8.1 million or about 62.9%, from about RMB12.9 million for FY2010 to about RMB21.1 million for FY2011. Such increase was mainly attributable to increase in processing of color photographic paper, medical dry film (resulted from its rapid development during FY2011) and Yes!Star industrial NDT x-ray film, our newly launched product in FY2011.

Gross profit and gross profit margin

Our total gross profit increased by about RMB78.1 million or about 91.6%, from about RMB85.3 million for FY2010 to about RMB163.4 million for FY2011, with respective gross profit margin of about 16.3% and 16.7%. Since we effectively ceased our FMCG business in December 2011, gross profit of about RMB2.9 million and RMB12.2 million for FY2010 and FY2011 derived from FMCG business were excluded in our analysis below.

Our gross profit (excluding that relating to the FMCG business) increased by about RMB68.8 million or about 83.4%, from about RMB82.5 million for FY2010 to about RMB151.2 million for FY2011. Such increase was mainly due to increase in sales volume of most of our products in FY2011 and our ability to maintain stable gross profit margin for most of our major products.

Our gross profit margin (excluding that relating to the FMCG business) increased by about 0.5%, from about 16.1% for FY2010 to about 16.6% for FY2011. It was mainly due to increase in gross profit margin of color photographic paper from about 16.1% for FY2010 to about 17.8% for FY2011 and a relatively high gross profit margin of about 28.2% from sales of industrial NDT x-ray film, our newly launched industrial imaging product in 2011, offset by slight decrease in the gross profit margin of medical imaging products.

Gross profit and gross profit margin by products

The following table sets forth our gross profit and gross profit margin by product type and the percentage contribution of each product type to our total gross profit for the years indicated:

	FY2010			**FY2011**			**Year to year growth of gross profit**
	Gross profit	**% of total**	**Gross profit margin**	**Gross profit**	**% of total**	**Gross profit margin**	
	RMB'000	*%*	*%*	*RMB'000*	*%*	*%*	*%*
Color photographic paper							
minilab	42,204	49.5	14.6	53,152	32.5	16.5	25.9
professional	28,438	33.3	19.0	40,594	24.8	19.8	42.7
Sub-total of color photographic paper	***70,642***	***82.8***	***16.1***	***93,746***	***57.3***	***17.8***	***32.7***
Medical imaging products	5,515	6.5	14.8	42,203	25.8	13.9	665.2
Industrial imaging products	—	—	—	9,798	6.0	28.2	N/A
Other image printing products	6,296	7.4	17.0	5,474	3.4	12.4	(13.1)
Total (excluding FMCG)	**82,453**	**96.7**	**16.1**	**151,221**	**92.5**	**16.6**	**83.4**
FMCG	2,851	3.3	28.6	12,198	7.5	17.9	327.8
Total	**85,304**	**100.0**	**16.3**	**163,419**	**100.0**	**16.7**	**91.6**

Color photographic paper

Our gross profit of minilab color photographic paper and professional color photographic paper increased by about RMB10.9 million and RMB12.2 million, or about 25.9% and 42.7% respectively, from about RMB42.2 million and RMB28.4 million respectively for FY2010 to about RMB53.2 million and RMB40.6 million respectively for FY2011, while the respective gross profit margin increased by about 1.9% and 0.8% respectively from about 14.6% and 19.0% respectively for FY2010 to about 16.5% and 19.8% respectively for FY2011.

The following table sets forth our gross profit and gross profit margin for color photographic paper by sales channels for the years indicated:

	FY2010			FY2011			
	Gross profit	% of total	Gross profit margin	Gross profit	% of total	Gross profit margin	Year to year growth of gross profit
	RMB'000	*%*	*%*	*RMB'000*	*%*	*%*	*%*
Wholesalers channel for color photographic paper							
minilab	11,868	16.8	12.7	23,124	24.7	15.8	94.8
professional	14,749	20.9	17.7	19,488	20.8	18.0	32.1
Subtotal	***26,617***	***37.7***	***15.1***	***42,612***	***45.5***	***16.8***	***60.1***
End users channel for color photographic paper							
minilab	30,336	42.9	15.5	30,028	32.0	17.0	(1.0)
professional	13,689	19.4	20.5	21,106	22.5	21.9	54.2
Subtotal	***44,025***	***62.3***	***16.8***	***51,134***	***54.5***	***18.8***	***16.1***
Total	**70,642**	**100.0**	**16.1**	**93,746**	**100.0**	**17.8**	**32.7**

Wholesalers channel

Our gross profit from sales of minilab color photographic paper to wholesalers increased by about RMB11.3 million or about 94.8%, from about RMB11.9 million for FY2010 to about RMB23.1 million for FY2011, while the respective gross profit margin increased by about 3.1%, from about 12.7% for FY2010 to about 15.8% for FY2011. The significant increase in gross profit was mainly attributable to the increase in gross profit margin and significant increase in sales volume of minilab color photographic paper to wholesalers as a result of our sales channel management strategy to focus on sales to wholesalers for our minilab color photographic paper.

Our gross profit of sales of professional color photographic paper to wholesalers increased by about RMB4.7 million or about 32.1%, from about RMB14.7 million for FY2010 to about RMB19.5 million for FY2011, while the respective gross profit margin increased by about 0.3%, from about 17.7% for FY2010 to about 18.0% for FY2011. The increase in gross profit was mainly attributable to the increase in gross profit margin and the increase in sales volume as a result of increase in market demand.

End users channel

Our gross profit from sales of minilab color photographic paper to end users decreased by about RMB0.3 million or about 1.0%, from about RMB30.3 million for FY2010 to about RMB30.0 million for FY2011, while the respective gross profit margin increased by about 1.5%, from about 15.5% for FY2010 to about 17.0% for FY2011. Despite the decrease in sales volume as a result of our sales channel management strategy to focus on sales to wholesalers for our minilab color photographic paper, the slight decrease in gross profit from sales of minilab color photographic paper to end users was attributable to (i) the increase in its average selling price and (ii) increase in its gross profit margin.

Our gross profit from sales of professional color photographic paper to end users increased by about RMB7.4 million or about 54.2%, from about RMB13.7 million for FY2010 to about RMB21.1 million for FY2011, while the respective gross profit margin increased by about 1.4%, from about 20.5% for FY2010 to about 21.9% for FY2011. The increase in gross profit from sales of professional color photographic paper to end users was mainly attributable to the increase in its gross profit margin and the increase in sales volume of professional color photographic paper to end users as a result of our focus on the end users channel for our professional color photographic paper.

In general, for both wholesalers channel and end users channel, the gross profit margin of sales of both minilab color photographic paper and professional color photographic paper increased from FY2010 to FY2011. Such increase was primarily due to (i) increase in selling price of our products in order to increase our gross profit and to cope with the increase in material price during the second half of 2011 because of the surge in silver price as well as the anti-dumping duties imposed on imported color photographic paper related products; (ii) our general ability to transfer increase in material cost to our customers, notwithstanding that market competition and demand of customers may at times affect our ability to transfer increase in material cost to our customers; (iii) the cost effectiveness on processing gained from economies of scale resulted from increase in processing volume; and (iv) decrease in material cost attributable to the purchase of finished goods from the Processing Group, usually with higher average unit cost.

Medical imaging products

Our gross profit from sales of medical imaging products increased by about RMB36.7 million or about 665.2%, from about RMB5.5 million for FY2010 to about RMB42.2 million for FY2011, principally attributable to the increase in sales volume of medical dry film, our first and only product medical imaging product for FY2010 and a major revenue contributor in medical imaging products for FY2011. Our gross profit margin of medical imaging products decreased from about 14.8% for FY2010 to about 13.9% for FY2011 which was primarily due to decrease in average selling price of medical dry film, our first and only product medical imaging product for FY2010 and a major revenue contributor in our medical imaging products for FY2011, due to the decrease in selling price of medical dry film offered to our customer since around June 2011 because of increase in purchase volume in FY2011. Between our two medical imaging products, namely medical dry film and dental film in 2010 and 2011 (sales of dental film started in 2011), gross profit margin for sales of dental film was higher than that of sales of medical dry film.

Industrial imaging products

As our first and only industrial imaging product in 2011, Yes!Star industrial NDT x-ray film contributed about RMB9.8 million of gross profit in FY2011, with a relatively higher gross profit margin of about 28.2%.

Other image printing products

Our gross profit of other image printing products decreased by about RMB0.8 million or about 13.1%, from about RMB6.3 million for FY2010 to about RMB5.5 million for FY2011, while the gross profit margin decreased by about 4.6% from about 17.0% for FY2010 to about 12.4% for FY2011, mainly attributable to the increase in purchase price of color photographic paper master rolls, which were sold to the Processing Group.

Other income and gains

Our other income increased by about RMB2.7 million, or about 32.4%, from about RMB8.2 million for FY2010, to about RMB10.8 million for FY2011. With the marketing service income remaining stable, such increase was mainly attributable to (i) increase in non-recurring government grants from local PRC government authorities of about RMB2.0 million; and (ii) increase in income from sales of scrap materials of medical imaging products of about RMB0.7 million, which commenced in July 2010.

Selling and distribution expenses

The following table sets forth the breakdown of selling and distribution expenses by cost nature for the years indicated:

	FY2010		**FY2011**		
		% of total		**% of total**	**Change in %**
	RMB'000	*%*	*RMB'000*	*%*	*%*
Wages, salaries and other employee benefit expenses	14,347	37.3	23,566	42.3	64.3
Freight charges	10,629	27.6	14,765	26.5	38.9
Advertising and marketing expenses	7,327	19.0	10,997	19.7	50.1
Rental expense	2,540	6.6	2,695	4.8	6.1
Depreciation and amortization	532	1.4	353	0.6	(33.6)
Others	3,089	8.1	3,401	6.1	10.1
Total	**38,464**	**100.0**	**55,777**	**100.0**	**45.0**

Included in the selling and distribution expenses, the amount of expenses incurred directly in relation to sales activities of FMCG were about RMB7.3 million and RMB14.9 million for FY2010 and FY2011, respectively. It mainly comprised (i) wages, salaries and other employee benefit expenses, which amounted to about RMB2.7 million and RMB2.6 million for FY2010 and FY2011, respectively; (ii) freight charges, which amounted to about RMB0.5 million and RMB2.7 million for FY2010 and FY2011, respectively; (iii) advertising and marketing expenses, which amounted to about RMB2.4 million and RMB8.8 million for FY2010 and FY2011, respectively; (iv) rental expense, which amounted to about RMB0.3 million and RMB0.3 million for FY2010 and FY2011, respectively; and (v) other sales activities related costs.

Our selling and distribution expenses increased by about RMB17.3 million or about 45.0%, from about RMB38.5 million for FY2010 to about RMB55.8 million for FY2011. Such increase was mainly attributable to (i) increase in wages, salaries and other employee benefit expenses by about RMB9.2 million, resulted from an increase in average sales staff headcount by about 38.5% for coping with our business expansion, raise of average salary by about 13.3% and extra bonus paid of about RMB1.0 million as a result of increased sales quantities; (ii) increase in freight charges by about RMB4.1 million due to the increase in sales of image printing products, while freight charges for sales of medical dry film were paid by our customer; and (iii) increase in advertising and marketing expenses by about RMB3.7 million resulted from increase in advertising expenses for promoting our FMCG business. We effectively ceased our FMCG business in December 2011.

Administrative expenses

The following table sets forth the breakdown of administrative expenses by cost nature for the years indicated:

	FY2010		**FY2011**		
		% of total		**% of total**	**Change in %**
	RMB'000	%	*RMB'000*	%	%
Wages, salaries and other employee benefit expenses	6,294	25.5	11,239	27.1	78.6
Legal and professional fees	2,540	10.3	8,128	19.6	220.0
Office expenses	3,737	15.1	4,834	11.7	29.4
Travelling and transportation expenses	3,971	16.1	3,793	9.1	(4.5)
Depreciation and amortization	1,620	6.6	2,249	5.4	38.8
Rental expense	4,055	16.4	6,126	14.8	51.1
Entertainment expense	1,672	6.8	2,339	5.6	39.9
Sundry taxes and stamp duty	452	1.8	1,911	4.6	322.8
Others	353	1.4	846	2.1	139.7
Total	**24,694**	**100.0**	**41,465**	**100.0**	**67.9**

Included in the administrative expenses, the amount of expenses incurred in relation to FMCG business were about RMB0.9 million and RMB3.3 million for FY2010 and FY2011, respectively. It mainly comprised wages, salaries and other employee benefit expenses to staff who were related to FMCG business.

Our administrative expenses increased by about RMB16.8 million or about 67.9%, from about RMB24.7 million for FY2010 to about RMB41.5 million for FY2011. Such increase was mainly attributable to (i) increase in administrative staff cost by about RMB4.9 million, resulted from an increase in average administrative staff headcount by about 56.4% for coping with our business expansion and increase of average salary by about 11.7% for their contribution to improved financial performance of our Group; (ii) increase in legal and professional fees by about RMB5.6 million, mainly due to professional fees of about RMB5.5 million expensed during FY2011 for our listing project; (iii) increase in office expenses and rental expense by about RMB1.1 million and RMB2.1 million respectively, mainly due to the full year operation of medical dry film business in FY2011 as compared with the commencement of operation in around July 2010; (iv) increase in depreciation and amortization expenses by about RMB0.6 million, due to the capital expenditure for our expansion in medical imaging products in July 2010; (v) increase in entertainment expenses by about RMB0.7 million in order to cope with our business expansion and (vi) increase in sundry taxes and stamp duty by about RMB1.5 million, due to the withholding tax of about RMB1.5 million paid for fees incurred for our listing project during FY2011.

Other expenses

Our other expenses increased by about RMB3.6 million or about 673.5%, from about RMB0.5 million for FY2010 to about RMB4.1 million for FY2011. The increase in our other expenses for FY2011 was mainly due to (i) the impairment of intangible assets of about RMB2.7 million incurred in FY2011 resulted from change of our ERP system; (ii) increase in impairment of trade and other receivable of about RMB0.6 million; and (iii) impairment of property, plant and equipment which amounted to RMB0.3 million incurred in FY2011.

Finance cost

Our finance costs increased by about RMB1.0 million or about 36.8%, from about RMB2.6 million for FY2010 to about RMB3.6 million for FY2011. The increase in our finance costs for FY2011 was mainly due to increase in average interest-bearing loan.

Income tax expense

Our income tax expense increased by about RMB15.5 million or about 280.9%, from about RMB5.5 million for FY2010 to about RMB21.0 million for FY2011. The increase in our income tax expense for FY2011 was mainly due to the increase in taxable income as a result of (i) increase in operating profit during the year; and (ii) Yestar Technology ceasing to enjoy the 50% reduction in the PRC corporate income tax since FY2011.

Profit for the year and net profit margin

Our profit for the year increased by about RMB26.6 million or about 122.8%, from about RMB21.7 million for FY2010 to about RMB48.3 million for FY2011. Our net profit margin increased from about 4.1% for FY2010 to about 4.9% for FY2011 primarily due to (i) the economies of scale gained from the color photographic paper business expansion; and (ii) improved corporate control on selling and distribution expenses and administrative expenses as they represented about 7.4% and 4.7% of our total revenue, respectively for FY2010, and decreased to about 5.7% and 4.2% for FY2011.

Profit attributable to the owners of the parent

Our profit attributable to the owners of the parent increased by about RMB28.0 million or about 145.2%, from about RMB19.3 million for FY2010 to about RMB47.3 million for FY2011.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, we financed our working capital and capital expenditure principally through net cash inflows from operating activities and interest-bearing loans. Upon completion of the Global Offering, we currently expect that there will not be any material change in the sources and uses of cash of our Group in the future, except that we would have additional funds from proceeds of the Global Offering for implementing our future plans as detailed under the section headed "Future plans and use of proceeds" in this Prospectus.

Cash flows

The table below sets forth a summary of our cash flows for the Track Record Period:

	FY2010	FY2011	FY2012	Five months ended 31 May 2012	Five months ended 31 May 2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Net cash flows from/(used in) operating activities	53,842	100,077	44,638	(22,099)	(21,354)
Net cash flows (used in)/from investing activities	(23,747)	(32,613)	(21,816)	5,669	(24,882)
Net cash (used in)/from financing activities	(2,435)	6,038	(4,468)	(21,737)	21,047
Net increase/(decrease) in cash and cash equivalents	27,660	73,502	18,354	(38,167)	(25,189)
Cash and cash equivalents at beginning of the year/period	40,877	68,537	142,039	142,039	160,393
Cash and cash equivalents at end of the year/period	68,537	142,039	160,393	103,872	135,204

Cash flows from operating activities

Our Group recorded net cash outflows used in operating activities of about RMB21.4 million for the five months ended 31 May 2013 while our Group's profit before tax was about RMB30.9 million. The difference of about RMB52.3 million was primarily due to (i) increase in inventories of about RMB51.8 million (before deducting provision for inventories) mainly attributable to the increase in inventories of color photographic paper as a result of decrease in sales volume of color photographic paper for the five months ended 31 May 2013, and increase in inventories of PWB film and medical wet film (which were launched in late 2012); (ii) income tax paid of about RMB21.9 million; (iii) increase in trade and bills receivables of about RMB16.6 million mainly attributable to the increase in trade receivables from our customers of medical dry film, medical wet film, PWB film and scrap material of medical imaging products; (iv) increase in amounts due from related parties of about RMB15.2 million; and (v) increase in prepayments, deposits and other receivables of about RMB6.1 million, partially offset by (vi) increase in trade and bills payables of about RMB48.9 million mainly attributable to the increase in trade and bills payables for purchase of raw materials; and (vii) non-cash expenditures of about RMB6.2 million, mainly attributable to depreciation of property, plant and equipment.

Our Group recorded net cash outflows used in operating activities of about RMB22.1 million for the five months ended 31 May 2012 while our Group's profit before tax was about RMB34.8 million. The difference of about RMB56.9 million was primarily due to (i) increase in inventories of about RMB51.9 million mainly due to higher inventory level of finished goods of color photographic paper as at 31 May 2012 for the expected sales in 2012; (ii) decrease in trade and bills payables of about RMB24.8 million mainly attributable to the decrease in trade and bills payables for purchase of raw materials ; (iii) income tax paid of about RMB13.0 million; (iv) decrease in other payables and accruals of about RMB11.8 million; and (v) increase in prepayments, deposits and other receivables of about RMB10.2 million, partially offset by (vi) decrease in amounts due from related parties of about RMB46.8 million; (vii) decrease in trade and bills receivables of about RMB4.7 million; and (viii) net non-cash expenditures of about RMB3.5 million, mainly attributable to depreciation of property, plant and equipment.

Our Group recorded net cash inflows from operating activities of about RMB44.6 million for FY2012 while our Group's profit before tax was about RMB81.6 million. The difference of about RMB36.9 million was primarily due to (i) increase in trade and bills receivables of about RMB63.3 million mainly attributable to the increase in trade receivables from our customers of medical dry film, medical wet film, PWB film and scrap material of medical imaging products; (ii) increase in inventories of about RMB44.9 million mainly due to the commencement of operation of an additional processing line for color photographic paper in 2012, which led to higher inventory level of finished goods of color photographic paper as at 31 December 2012 and increase in inventories of PWB film and medical wet film, our newly launched products in 2012; (iii) income tax paid of about RMB21.1 million; (iv) decrease in other payables and accruals of about RMB20.2 million resulted from significant decrease in advances from customers; and (v) increase in prepayments, deposits and other receivables of about RMB6.6 million, partially offset by (vi) increase in trade and bills payables of about RMB60.4 million mainly attributable to the increase in trade and bills payables for purchase of raw materials of medical wet film and PWB film, our newly launched products in 2012 and increase in trade and bills payables for purchase of raw materials of medical dry film; (vii) decrease in amounts due from related parties of about RMB46.8 million; and (viii) net non-cash expenditures of about RMB9.9 million, mainly attributable to depreciation of property, plant and equipment.

Our Group recorded net cash inflows from operating activities of about RMB100.1 million for FY2011 while our Group's profit before tax was about RMB69.3 million. The difference of about RMB30.8 million was primarily due to (i) increase in trade and bills payables of about RMB81.8 million due to increase in purchase of materials in order to cope with the increase in sales; (ii) net non-cash expenditures of about RMB13.9 million, mainly attributable to depreciation of property, plant and equipment and provision for impairment of intangible assets; and (iii) decrease in inventories of about RMB10.3 million; partially offset by (iv) increase in amounts due from related parties of about RMB27.2 million mainly resulted from the cessation of FMCG business; (v) increase in trade and bills receivables of about RMB26.0 million due to increase in trade receivables from our customer of medical dry film; and (vi) income tax paid of about RMB10.1 million.

Our Group recorded net cash inflows from operating activities of about RMB53.8 million for FY2010 while our Group's profit before tax was about RMB27.2 million. The difference of about RMB26.7 million was primarily due to (i) increase in trade and bills payables of about RMB41.1 million due to our business expansion and launching of medical dry film, which longer credit period was granted by our supplier for purchase of medical dry film master rolls; (ii) increase in other payables and accruals of about RMB39.8 million resulted from significant increase in advance from customers; and (iii) non-cash expenditures of about RMB9.9 million, mainly attributable to depreciation of property, plant and equipment; partially offset by (iv) increase in inventories, which amounted to about RMB46.4 million, mainly due to the launching of medical imaging product; (v) increase in prepayments, deposits and other receivables and trade and bills receivables of about RMB8.7 million and RMB3.4 million, respectively due to the increase in sales during FY2010; and (vi) increase in amounts due from related parties of about RMB6.7 million.

Cash flows from investing activities

Our Group recorded net cash outflows used in investing activities of about RMB24.9 million for the five months ended 31 May 2013, which was mainly attributable to (i) purchase of property, plant and equipment of about RMB17.7 million, mainly attributable to the construction in progress, buildings and processing lines of our new processing plant, Jinkai Processing Plant in Guangxi and addition of motor vehicles; and (ii) payment for acquisition of the equity interest in Yestar Shanghai by Yestar HK.

Our Group recorded net cash inflows from investing activities of about RMB5.7 million for the five months ended 31 May 2012, which was mainly attributable to (i) receipt of government grant of about RMB9.1 million arisen from our payment of land for Jinkai Processing Plant located in Guangxi; and (ii) decrease in amount due from a related party and a director of about RMB7.3 million and RMB6.5 million, respectively; partially offset by (iii) purchase of property, plant and equipment of about RMB16.9 million, mainly for our new processing plant, Jinkai Processing Plant in Guangxi.

Our Group recorded net cash outflows used in investing activities of about RMB21.8 million for FY2012, which was mainly attributable to (i) purchase of property, plant and equipment of about RMB51.9 million, mainly attributable to the construction in progress, buildings and processing lines of our new processing plant, Jinkai Processing Plant in Guangxi, partially offset by (ii) decrease in amount due from a related party and a director of about RMB14.1 million and RMB4.6 million, respectively; and (iii) receipt of government grant of about RMB9.1 million arisen from our payment of land for Jinkai Processing Plant located in Guangxi.

Our Group recorded net cash outflows used in investing activities of about RMB32.6 million for FY2011, which was mainly attributable to (i) acquisition of land for Jinkai Processing Plant in Guangxi which led to addition to prepaid land lease payments of about RMB15.4 million; (ii) purchase of property, plant and equipment of about RMB6.9 million mainly for the addition of office equipment and preliminary cost, such as surveying cost, incurred before the construction of our new processing plant in Guangxi; and (iii) increase in advance to a related party and a director of about RMB4.8 million and RMB3.9 million, respectively.

Our Group recorded net cash outflows used in investing activities of about RMB23.7 million for FY2010, which was mainly attributable to (i) purchase of property, plant and equipment of about RMB17.9 million, mainly represented our new processing line for medical dry film and our fifth processing line for color photographic paper; and (ii) increase in advance to a related party and a director of about RMB3.5 million and RMB2.6 million, respectively.

Cash flows from financing activities

Our Group recorded net cash inflows from financing activities of about RMB21.0 million for the five months ended 31 May 2013 contributed by (i) new interest-bearing loans of about RMB20.0 million; and (ii) increase in an amount due to a related party of about RMB2.8 million, and offset by (iii) interest paid of about RMB1.7 million.

Our Group recorded net cash outflows used in financing activities of about RMB21.7 million for the five months ended 31 May 2012 contributed by (i) repayment of interest-bearing loans of about RMB21.0 million; and (ii) interest paid of about RMB0.8 million.

Our Group recorded net cash outflows used in financing activities of about RMB4.5 million for FY2012 contributed by (i) repayment of interest-bearing loans of about RMB46.6 million; and (ii) interest paid of about RMB2.9 million; offset by (iii) new interest-bearing loans of about RMB45.0 million.

Our Group recorded net cash inflows from financing activities of about RMB6.0 million for FY2011 contributed by (i) new interest-bearing loans of about RMB42.0 million; offset by (ii) repayment of interest bearing loans of about RMB32.4 million and (iii) interest paid of about RMB3.6 million.

Our Group recorded net cash outflows used in financing activities of about RMB2.4 million for FY2010, which was mainly attributable to the net off effect of (i) repayment of interest-bearing loans of about RMB31.6 million; (ii) interest paid of about RMB2.6 million; (iii) the proceeds from new interest-bearing loans of about RMB27.0 million; and (iv) proceeds from capital contribution of about RMB4.8 million to Yestar Medical.

Net current assets

The following table sets out details of our current assets and current liabilities as of the dates indicated:

	As at 31 December			As at 31 May	As at 31 July
	2010	**2011**	**2012**	**2013**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)
CURRENT ASSETS					
Inventories	143,093	132,827	177,768	228,707	229,306
Trade and bills receivables	11,826	36,941	100,754	117,360	68,493
Prepayments, deposits and other receivables	22,312	17,704	24,339	30,486	40,026
Amount due from a director	2,617	6,486	1,916	1,672	—
Amounts due from related parties	28,872	60,872	—	15,226	1,905
Pledged deposits	—	4,566	2,503	2,580	2,583
Cash and cash equivalents	68,537	142,039	160,393	135,204	57,570
	277,257	401,435	467,673	531,235	399,883
CURRENT LIABILITIES					
Interest-bearing loans	20,000	46,600	25,000	45,000	90,032
Trade and bills payables	102,073	183,855	244,246	293,191	208,837
Other payables and accruals	60,856	45,736	25,561	28,225	23,173
Tax payable	3,882	12,954	22,422	9,818	5,230
Dividend payable	—	—	83,972	83,972	6,503
Amounts due to related parties	228	—	6,736	2,786	—
	187,039	289,145	407,937	462,992	333,775
NET CURRENT ASSETS	**90,218**	**112,290**	**59,736**	**68,243**	**66,108**

Our current assets primarily consisted of inventories, trade and bills receivables, prepayments, deposits and other receivables, amounts due from related parties and cash and cash equivalents. Our current liabilities primarily consisted of interest-bearing loans, trade and bills payables, tax payable, other payables and accruals and dividend payable. We manage our working capital by closely monitoring the level of our inventories, trade and bills receivables, cash and cash equivalents, interest-bearing loans and trade and bills payables.

During the Track Record Period, our net current assets value position were about RMB90.2 million, RMB112.3 million, RMB59.7 million, RMB68.2 million and RMB66.1 million as at 31 December 2010, 2011 and 2012, 31 May 2013 and 31 July 2013, respectively, primarily due to the net-off effect of the improving financial performance of our Group and declaration of dividend in 2012.

Our net current assets increased by about RMB22.1 million or about 24.5%, from about RMB90.2 million as at 31 December 2010 to about RMB112.3 million as at 31 December 2011, primarily due to the net off effect of (i) increase in trade and bills payables due to the increase in materials procurement in anticipation of the increase in sales of our products and increase in product variety resulted from the newly launched industrial NDT x-ray film and dental film; (ii) increase in cash and cash equivalent as a result of the improving financial performance of our Group; (iii) increase in amounts due from related parties; (iv) increase in current portion of interest-bearing loans; (v) increase in trade and bills receivables mainly due to the increase in trade receivables from our customer of medical dry film; (vi) decrease in other payables and accruals mainly due to the decrease in advances from customers as a result of earlier delivery to customers before year end since the Chinese New Year in 2012 was closer to the year end of 2011 when compared with prior year; (vii) decrease in inventories mainly due to the decrease in average inventory turnover days from about 94.7 days to about 63.2 days (excluding FMCG business) resulted from the high turnover of medical imaging products after its rapid development in 2011; and (viii) decrease in prepayment, deposits and other receivables mainly due to decrease in prepayment for material procurement before the year end.

Our net current assets decreased by about RMB52.6 million or 46.8%, from about RMB112.3 million as at 31 December 2011 to about RMB59.7 million as at 31 December 2012, primarily due to the net off effect of (i) declaration of dividend in 2012; (ii) increase in trade and bills receivables mainly due to the increase in trade receivables from our customers of medical dry film, medical wet film, PWB film and scrap material of medical imaging products; (iii) the decrease in amount due from related parties; (iv) increase in trade and bills payable as a result of increased trade and bills payables for purchase of raw materials of medical wet film and PWB film, our newly launched products in 2012 and increase in trade and bills payables for purchase of raw materials of medical dry film; (v) increase in inventories mainly due to the commencement of operation of an additional processing line for color photographic paper in 2012, which led to higher inventory level of finished goods of color photographic paper as at 31 December 2012 and increase in inventories of PWB film and medical wet film, our newly launched products in 2012; (vi) decrease in the current portion of interest-bearing loans resulted from settlement of outstanding interest-bearing loans as at 31 December 2011, and offset by new interest-bearing loans obtained in 2012, part of which were classified as non-current liabilities; (vii) decrease in other payables and accruals mainly due to the decrease in advances from customers as a result of the shorter time period from order to delivery of color photographic paper at the end of 2012 after the commencement of operation of an additional processing line for color photographic paper in 2012, which allowed us to increase our processing volume in order to meet the customers' demand; (viii) increase in cash and cash equivalent and (ix) increase in tax payable.

Our net current assets increased by about RMB8.5 million or about 14.2%, from about RMB59.7 million as at 31 December 2012 to about RMB68.2 million as at 31 May 2013, primarily due to the net off effect of (i) increase of inventories mainly due to the increase in inventories of color photographic paper as a result of decrease in sales volume of color photographic paper for the five months ended 31 May 2013, and increase in inventories of PWB film and medical wet film (which were launched in late 2012); (ii) increase in trade and bills payables mainly due to increase in trade and bills payable for purchase of raw materials; (iii) decrease in cash and cash equivalents; (iv) increase in interest-bearing loan mainly due to new interest-bearing loans obtained during the five months ended 31 May 2013; (v) increase in trade and bills receivables mainly attributable to the increase in trade receivables from our customers of medical dry film, medical wet film, PWB film and scrap material of medical imaging products; (vi) increase in amounts due from related parties; (vii) decrease in tax payable; and (viii) increase in prepayments, deposits and other receivables.

Our net current assets decreased by about RMB2.1 million or about 3.1%, from about RMB68.2 million as at 31 May 2013 to about RMB66.1 million as at 31 July 2013, primarily due to the net off effect of (i) decrease in trade and bills payable due to payment made to our major suppliers of master rolls during the two months ended 31 July 2013; (ii) decrease in cash and cash equivalents and dividend payable as a result of payment made for part of dividend payable as of 31 May 2013; (iii) decrease in trade and bills receivables due to receipt from our customers of medical dry film, medical wet film, PWB film and scrap material of medical imaging products during the two months ended 31 July 2013; (iv) increase in current portion of interest-bearing loans as a result of addition interest-bearing loans obtained during the two months ended 31 July 2013 and increase in current portion interest-bearing loans which was classified as non-current portion as of 31 May 2013, offset by repayment of interest-bearing loans during the two months ended 31 July 2013; (v) decrease in amounts due from related parties; and (vi) increase in prepayments, deposits and other receivables.

MAJOR BALANCE SHEET ITEMS

Property, plant and equipment

Our property, plant and equipment consist of leasehold improvements, plant and machinery, office equipment, motor vehicles and construction in progress. As at 31 December 2010, 2011 and 2012 and 31 May 2013, the carrying amount of our property, plant and equipment amounted to about RMB56.5 million, RMB53.2 million, RMB95.9 million and RMB108.2 million, respectively, representing about 91.1%, 71.5%, 80.2% and 81.1% of our Group's total non-current assets, respectively.

The decrease in property, plant and equipment as at 31 December 2011 of about RMB3.3 million or about 5.8%, was primarily attributable to depreciation charges of about RMB9.4 million for FY2011, offset by addition of about RMB6.9 million, mainly composed of preliminary cost, such as surveying cost incurred for the construction of our new processing plant, Jinkai Processing Plant in Guangxi and office equipment.

The increase in property, plant and equipment as at 31 December 2012 of about RMB42.6 million or about 80.1%, was primarily attributable to the capital expenditure of about RMB52.3 million, mainly composed of construction in progress, buildings and production lines of our new processing plant, Jinkai Processing Plant in Guangxi, offset by depreciation charges of about RMB9.3 million for FY2012.

The increase in property, plant and equipment as at 31 May 2013 of about RMB12.3 million or about 12.8%, was primarily attributable to the capital expenditure of about RMB17.3 million, mainly composed of construction in progress, buildings and processing lines of our new processing plant, Jinkai Processing Plant in Guangxi and addition of motor vehicles, offset by depreciation charges of about RMB4.9 million for the five months ended 31 May 2013.

Inventories

Our inventories primarily comprised of components for color photographic paper, medical imaging products, industrial imaging products and other image printing products. The following table set forth a breakdown of our inventories by categories as at the dates indicated:

	As at 31 December			As at 31 May
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	53,625	54,675	72,209	80,457
Finished goods (excluding FMCG)	75,845	78,152	105,559	148,250
Total (Excluding FMCG)	**129,470**	**132,827**	**177,768**	**228,707**
FMCG	13,623	—	—	—
Total	**143,093**	**132,827**	**177,768**	**228,707**

As at 31 December 2010, 2011 and 2012 and 31 May 2013, our inventories amounted to about RMB143.1 million, RMB132.8 million, RMB177.8 million and RMB228.7 million, respectively, representing about 51.6%, 33.1%, 38.0% and 43.1% of our Group's total current assets, respectively. Excluding the FMCG, our inventories amounted to about RMB129.5 million, RMB132.8 million, RMB177.8 million and RMB228.7 million as at 31 December 2010, 2011 and 2012, respectively, representing about 46.7%, 33.1%, 38.0% and 43.1% of our Group's total current assets, respectively.

Our Group closely monitors the level of raw materials and finished goods by assessing the market and customers demand and adjusting our processing plan. Our Group record provision if the estimate of the net realisable value of any inventories is below the corresponding cost of such inventories. Except for provision for inventories of about RMB0.8 million recorded during the five months ended 31 May 2013 due to slow moving of our color film inventories, our Group has not recorded any provision on inventories during the Track Record Period.

Excluding the FMCG, our inventories increased by about RMB3.4 million or about 2.6%, from about RMB129.5 million as at 31 December 2010 to about RMB132.8 million as at 31 December 2011. Despite our increasing product variety and the purchase price of materials during 2011, we successfully managed the level of inventories to meet the processing needs and market demand.

Our inventories increased by about RMB44.9 million or about 33.8%, from about RMB132.8 million as at 31 December 2011 to about RMB177.8 million as at 31 December 2012. Such increase was mainly attributable to the increase in color photographic paper as a result of the commencement of operation of an additional processing line for color photographic paper in 2012, which led to higher inventory level of finished goods of color photographic paper as at 31 December 2012 and increase in inventories of PWB film and medical wet film, our newly launched products in 2012.

Our inventories increased by about RMB50.9 million or about 28.7%, from about RMB177.8 million as at 31 December 2012 to about RMB228.7 million as at 31 May 2013. Such increase was mainly attributable to the increase in inventories of color photographic paper as a result of decrease in sales volume of color photographic paper for the five months ended 31 May 2013, and increase in inventories of PWB film and medical wet film (which were launched products in late 2012).

Inventory turnover days

The following table sets out our average inventory turnover days for the years/period indicated:

	FY2010	**FY2011**	**FY2012**	**Five months ended 31 May 2013**
	days	**days**	**days**	**days**
Average inventory turnover days *(Note)*	99.9	61.9	71.9	90.2
Average inventory turnover days (Excluding those relating to FMCG business) *(Note)*	94.7	63.2	71.9	90.2

Note: Average inventory turnover days for FY2010, FY2011 and FY2012 and five months ended 31 May 2013 were calculated as the average inventories balance of the beginning and ending of the year/period divided by the cost of sales of the respective years/period and multiplied by 365 days/151 days.

Our inventory turnover days are generally less than 3 months. Excluding FMCG inventories and cost of sales, the average inventory turnover days decreased by about 31.5 days, from about 94.7 days for FY2010 to about 63.2 days for FY2011, primarily due to high turnover of medical imaging products after its rapid development in the 2011 (the inventory turnover days for medical imaging products were about 215.7 days, 57.1 days for FY2010 and FY2011, respectively). Owing to the increase of inventories of color photographic paper, PWB film and medical wet film as mentioned above, the average inventory turnover days (excluding FMCG inventories and cost of sales) increased by about 8.7 days to about 71.9 days for FY2012. Our average inventory turnover days increased by about 18.3 days to about 90.2 days for the five months ended 31 May 2013, mainly attributable to the increase in inventories of color photographic paper, PWB film and medical wet film as mentioned above.

The following table set out our inventory turnover days (excluding FMCG inventories and cost of sales) for raw materials and finished goods for the years/period indicated:

	FY2010 days	FY2011 days	FY2012 days	Five months ended 31 May 2013 days
Average turnover days for raw materials *(Note)*	42.1	26.1	29.4	33.9
Average turnover days for finished goods *(Note)*	52.6	37.1	42.5	56.3
Total	**94.7**	**63.2**	**71.9**	**90.2**

Note: Average inventory turnover days for raw materials/finished goods for FY2010, FY2011 and FY2012 and five months ended 31 May 2013 were calculated as the average raw materials/finished goods balance of the beginning and ending of the year/period divided by the cost of sales of the respective years/period and multiplied by 365 days/151 days.

For the average turnover days for raw materials (excluding FMCG inventories and cost of sales), it decreased by about 16.0 days, from about 42.1 days for FY2010 to about 26.1 days for FY2011, primarily due to high turnover of medical imaging products after its rapid development in the 2011. It slightly increased by about 3.3 days to about 29.4 days for FY2012 mainly due to the increase in raw material of PWB film and medical wet film, our newly launched products in 2012. The average turnover days for raw materials increased by about 4.5 days to about 33.9 days for the five months ended 31 May 2013, mainly attributable to increase in raw materials of color photographic paper as a result of decrease in sales volume of color photographic paper for the five months ended 31 May 2013.

For the average finished goods turnover days (excluding FMCG inventories and cost of sales), it decreased by about 15.5 days, from about 52.6 days for FY2010 to about 37.1 days for FY2011, primarily due to high turnover of medical imaging products as mentioned above. It increased by about 5.4 days to about 42.5 days for FY2012, primarily due to the commencement of operation of an additional processing line for color photographic paper in 2012, which led to higher inventory level of finished goods of color photographic paper as at 31 December 2012. The average finished goods turnover days increased by about 13.8 days to about 56.3 days for the five months ended 31 May 2013, mainly attributable to increase in finished goods of color photographic paper as a result of decrease in sales volume of color photographic paper for the five months ended 31 May 2013, and increase in finished goods of PWB film and medical wet film (which were launched in late 2012).

Trade and bills receivables

As at 31 December 2010, 2011 and 2012 and 31 May 2013, our Group recorded trade and bills receivables of about RMB11.8 million, RMB36.9 million, RMB100.8 million and RMB117.4 million, respectively, representing about 4.3%, 9.2%, 21.5% and 22.1% of our Group's total current assets, respectively. Excluding the FMCG receivables, our trade and bills receivables amounted to about RMB8.6 million, RMB36.9 million, RMB100.8 million and RMB117.4 million as at 31 December 2010, 2011 and 2012 and 31 May 2013, respectively, representing about 3.1%, 9.2%, 21.5% and 22.1% of our Group's total current assets, respectively.

Excluding the FMCG receivables, our trade and bills receivables increased by about RMB28.3 million or about 328.7%, from about RMB8.6 million as at 31 December 2010 to about RMB36.9 million as at 31 December 2011, which was mainly due to the increase in trade receivables from our customer of medical dry film, which started in 2010. The balance increased by about RMB63.8 million or about 172.7%, to about RMB100.8 million as at 31 December 2012 mainly attributable to the increase in trade receivables from our customer of medical imaging products and PWB film, as a result of larger amount of purchase from our customer for medical dry film near the end of 2012 as compared with the end of 2011, additional trade receivables from sales of medical wet film and PWB film, which sales started in 2012 and longer credit period granted to the customer for the sales of medical dry film in 2012. The balance increased by about RMB16.6 million or about 16.5%, to about RMB117.4 million as at 31 May 2013 mainly attributable to the increase of trade receivables from our customer of medical imaging products and PWB film, as a result of the increase in trade receivables from increased sales of PWB film for the five months ended 31 May 2013. As at 31 December 2010, 2011 and 2012 and 31 May 2013, trade and bills receivables due from our customers of medical dry film, medical wet film, PWB film and scrap materials of medical imaging products amounted to nil, RMB35.2 million, RMB94.3 million and RMB106.4 million respectively, representing nil, 95.4%, 93.6% and 90.6% of our total trade and bills receivables respectively.

Aging analysis of trade and bills receivables

The following table sets out our aging analysis of trade and bills receivables as at the dates indicated:

	As at 31 December			As at 31 May
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables (excluding those relating to FMCG business)				
Within 90 days	7,663	35,440	96,229	110,592
91 to 180 days	49	1,501	—	1,322
181 to 365 days	905	—	—	373
Sub-total	***8,617***	***36,941***	***96,229***	***112,287***
FMCG receivables	3,209	—	—	—
Total of trade receivables	***11,826***	***36,941***	***96,229***	***112,287***
Bills receivable	—	—	4,525	5,073
Total of trade and bills receivables	**11,826**	**36,941**	**100,754**	**117,360**

As at the Latest Practicable Date, all of our trade and bills receivables balance as at 31 May 2013 were subsequently settled.

Average debtors' turnover days

The following table sets out our average debtors' turnover days for the years/period indicated:

	FY2010	**FY2011**	**FY2012**	**Five months ended 31 May 2013**
Average debtors' turnover days *(Note)*	7.2	9.1	26.3	39.8
Average debtors' turnover days (excluding FMCG receivables and revenue) *(Note)*	6.0	9.1	26.3	39.8

Note: *Average debtors' turnover days for each of FY2010, FY2011 and FY2012 and five months ended 31 May 2013 were calculated as the average trade and bills receivables balance of the beginning and ending of the year/period divided by the revenue of the respective years/period and multiplied by 365 days/151 days.*

Our Group seeks to maintain strict control over our receivables and closely monitors them to minimize credit risk. For our sales of color photographic paper, we generally require our customers to make full prepayment before delivery. During the Track Record Period, we generally grant credit periods of zero to 120 days to our customer of medical dry film, medical wet film and PWB film in practise. During 2010 and 2011, credit period granted the customer for the sales of medical dry film was shorter. Along with our business relationship on medical dry film, we granted longer credit periods to the customer in 2012.

Excluding FMCG receivables and revenue, the average debtors' turnover days increased by about 3.1 days from about 6.0 days for FY2010 to about 9.1 days for FY2011 primarily due to increase in trade receivables arisen from sales of medical dry film in FY2011, which credit terms granted to our customer was different from the practice of receiving full prepayment from customers for sales of color photographic paper. Owing to increased trade receivables as at 31 December 2012 as a result of larger amount of purchase from our customer for medical dry film near the end of 2012 as compared with that of 2011, additional trade receivables from sales of medical wet film and PWB film, which started in November 2012 and longer credit period granted to the customer for the sales of medical dry film in 2012, the average debtors' turnover days (excluding FMCG receivables and revenue) increased by about 17.2 days to about 26.3 days for FY2012. The average debtors' turnover days increased by about 13.5 days to about 39.8 days for the five months ended 31 May 2013, mainly attributable to (i) decrease in sales of color photographic paper and (ii) higher average trade and bills receivables balance from sales of medical dry film for the five months ended 31 May 2013 was primary due to longer credit period granted to the customer for sales of medical dry film since 2012.

Prepayment and deposits and other receivables

As at 31 December 2010, 2011 and 2012 and 31 May 2013, our Group recorded prepayments, deposits and other receivables of about RMB22.3 million, RMB17.7 million, RMB24.3 million and RMB30.5 million, respectively, representing about 8.0%, 4.4%, 5.2% and 5.7% of our Group's total current assets, respectively.

Deposits and other receivables mainly represent deposits (including rental deposits, interest-bearing loan related security deposits for the purpose of obtaining interest-bearing loans at a good rate, deposits made to local PRC government authorities and other miscellaneous deposits) as well as advances to staff and payment to professional parties for the listing project. Prepayments mainly represent the prepayments made to supplier for materials procurement, prepayment to professional parties for listing related service to be rendered and prepayments for purchases of equipment, other goods and services.

The following table set out the breakdown of our prepayments, deposits and other receivables as at the dates indicated:

	As at 31 December			As at 31 May
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deposits and other receivables	6,927	7,800	10,182	10,536
Prepayments	8,559	3,225	3,910	2,037
Value-added tax	6,826	6,679	10,247	17,913
	22,312	17,704	24,339	30,486

Our prepayments, deposits and other receivables decreased by about RMB4.6 million or about 20.7%, from about RMB22.3 million as at 31 December 2010 to about RMB17.7 million as at 31 December 2011. Such decrease was mainly attributable to (i) decrease in prepayment to suppliers for materials procurement before the year end; and (ii) settlement of prepayment for consulting on sales, marketing and brand promotion which started in 2010; partially offset by (iii) increase in deposits and other receivables mainly due to other receivables returned from equipment supplier after the Group's cancellation of purchase order.

Our prepayments, deposits and other receivables increased by about RMB6.6 million or about 37.5%, from about RMB17.7 million as at 31 December 2011 to about RMB24.3 million as at 31 December 2012. Such increase was mainly attributable to (i) increase in value-added tax mainly attributable to value-added tax for purchase from Yestar Imaging, which commenced its operation in 2012; and (ii) increase in deposits and other receivables mainly resulted from increase in payment to professional parties for listing project, deposit for acquisition of land and interest-bearing loan related security deposits.

Our prepayments, deposits and other receivables increased by about RMB6.1 million or about 25.3%, from about RMB24.3 million as at 31 December 2012 to about RMB30.5 million as at 31 May 2013. Such increase was mainly attributable to increase in value-added tax mainly attributable to value-added tax for purchase from Yestar Technology and Yestar Imaging.

Trade and bills payables

As at 31 December 2010, 2011 and 2012 and 31 May 2013, our Group recorded trade and bills payables of about RMB102.1 million, RMB183.9 million, RMB244.2 million and RMB293.2 million, respectively, representing about 54.6%, 63.6%, 59.9% and 63.3% of our Group's total current liabilities, respectively. As at 31 December 2010, 2011 and 2012 and 31 May 2013, trade and bills payables relating to the FMCG business only represented about 0.3%, nil, nil and nil of our trade and bills payables, respectively.

Our trade and bills payables mainly represented payables due to our suppliers for purchase of master rolls, packing materials and spare parts of equipment. As at 31 December 2010, 2011 and 2012 and 31 May 2013, trade and bills payables due to our suppliers, which mainly supply master rolls to us, amounted to about RMB87.3 million, RMB177.6 million, RMB238.7 million and RMB284.8 million respectively, for which the carrying amount of inventories of about RMB45.9 million, RMB68.0 million, RMB69.7 million and RMB111.7 million were pledged as security as at the respective dates.

The following table set out the breakdown of trade and bills payables as at the dates indicated:

	As at 31 December			As at 31 May
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	75,075	138,599	183,468	238,029
Bills payable	26,998	45,256	60,778	55,162
	102,073	183,855	244,246	293,191

Our trade and bills payables increased by about RMB81.8 million or about 80.1%, from about RMB102.1 million as at 31 December 2010 to about RMB183.9 million as at 31 December 2011. Such increase was mainly due to increase in purchase of medical imaging products after its rapid development in FY2011 as well as increase in average unit cost of materials, and increase in our products variety, including Yes!Star industrial NDT x-ray film, which started during 2011.

Due to increased trade payables for the purchase of our medical wet film and PWB film, our newly launched products in 2012 and increase in trade payable for purchase of raw materials of medical dry film, our trade and bills payables increased by about RMB60.4 million or about 32.8%, from about RMB183.9 million as at 31 December 2011 to about RMB244.2 million as at 31 December 2012.

Our trade and bills payables increased by about RMB48.9 million or about 20.0%, from about RMB244.2 million as at 31 December 2012 to about RMB293.2 million as at 31 May 2013. Such increase was mainly attributable to the combined effect of (i) increase in trade payables for purchase of raw materials of color photographic paper as a result of relatively large amount of settlement made prior to the year end of 2012, and (ii) decrease in trade payables for purchase of raw materials of medical dry film as a result of decrease in such purchase prior to period end.

Aging analysis of trade payables

The following table sets out our aging analysis of trade payables as at the dates indicated:

	As at 31 December			As at 31 May
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 90 days	65,819	138,247	141,824	213,046
91 to 180 days	8,800	17	41,547	24,682
181 to 365 days	209	—	—	204
1 to 2 years	52	232	—	—
Over 2 years	195	103	97	97
	75,075	138,599	183,468	238,029

Average creditors' turnover days

The following table sets out our average creditors' turnover days for the years/period indicated:

	FY2010	**FY2011**	**FY2012**	**Five months ended 31 May 2013**
Average creditors' turnover days *(Note)*	67.9	64.1	99.1	119.2
Average creditors' turnover days (excluding FMCG accounts payables and cost of sales) *(Note)*	68.9	68.8	99.1	119.2

Note: Average creditors' turnover days for each of FY2010, FY2011 and FY2012 and five months ended 31 May 2013 were calculated as the average trade and bills payables balance of the beginning and ending of the year/period divided by the cost of sales of the respective years/period and multiplied by 365 days/151 days.

Our major supplier generally granted credit terms of 60-120 days to us. Excluding the trade and bills payables and cost of sales relating to FMCG business, our creditor turnover days slightly decreased by about 0.1 days from about 68.9 days for FY2010 to about 68.8 days for FY2011. It increased by about 30.3 days to about 99.1 days for FY2012. The significant increase in average creditors' turnover days for FY2012 was mainly attributable to the significant increase of trade and bills payables for purchase of raw materials of medical wet film and PWB film, our newly launched products in 2012 and increase in trade and bills payables for purchase of raw materials of medical dry film. Our average creditors' turnover days further increased by about 20.1 days to about 119.2 days for the five months ended 31 May 2013, mainly attributable to (i) the increase trade payables for purchase of raw materials of color photographic paper and partially offset by (ii) the decrease in trade payables for purchase of raw materials of medical dry film.

Other payables and accruals

As at 31 December 2010, 2011 and 2012 and 31 May 2013, the current portion of our other payables and accruals amounted to about RMB60.9 million, RMB45.7 million, RMB25.6 million and RMB28.2 million, respectively, representing about 32.5%, 15.8%, 6.3% and 6.1% of our Group's total current liabilities, respectively. While the non-current portion of our other payables and accruals amounted to about RMB9.1 million and RMB9.1 million as at 31 December 2012 and 31 May 2013 respectively, represented about 30.3% and 28.2% of our Group's total non-current liabilities as at the respective dates.

The following table sets out is the breakdown of our other payables and accruals as at the dates indicated:

	As at 31 December			As at 31 May
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current portion:				
Advances from customers	48,797	26,724	11,025	9,673
Payroll and welfare payable	1,045	1,112	3,940	2,237
Value-added tax	3,706	9,598	170	16
Accrued expenses and other payables	7,308	8,302	10,426	16,299
	60,856	45,736	25,561	28,225
Non-current portion:				
Other payables	—	—	9,133	9,133

Our current portion of other payables and accruals decreased by about RMB15.1 million or about 24.8%, from about RMB60.9 million as at 31 December 2010 to about RMB45.7 million as at 31 December 2011. Such decrease was mainly due to (i) decrease in advances from customers of about RMB22.1 million as significant amounts of orders were placed by customers of color photographic paper near the end of 2010 in order to cope with the expected increase in selling price in 2011 and there was earlier delivery to customers before the year end since the Chinese New Year in 2012 was closer to the year end of 2011 when compared with the prior year; (ii) increase in accrual for value-added tax of about RMB5.9 million due to the increase in our revenue before the year end; (iii) increase in accrued expenses and other payables of about RMB1.0 million due to net off effect of increase in sales and decrease in proportion of sales of minilab color photographic paper to end users resulted from our sales channel management, which led to mild increase in freight charges payables.

Our current portion of other payables and accruals further decreased by about RMB20.2 million or about 44.1%, from about RMB45.7 million as at 31 December 2011 to about RMB25.6 million as at 31 December 2012, mainly attributable to the net effect of (i) the significant decrease in advance from customers of about RMB15.7 million mainly due to the shorter time period from order to delivery of color photographic paper at the end of 2012 after the commencement of operation of an additional processing line for color photographic paper in 2012, which allowed us to increase our processing volume in order to meet the customers' demand; (ii) decrease in accrual for value-added tax of about RMB9.4 million as a result of decrease in sales from Yestar Shanghai, which mainly sold color photographic paper, industrial NDT x-ray film and other image printing products, near the end of 2012; (iii) increase in payroll and welfare payable of about RMB2.8 million as a result of increase wages payable of Yestar Imaging, which commenced its operation in 2012 and increase in bonus payable; and (iv) increase in accrued expenses and other payables of about RMB2.1 million mainly due to payables for the construction of our new processing plant, Jinkai Processing Plant in Guangxi.

Our current portion of other payables and accruals increased by about RMB2.7 million or about 10.4%, from about RMB25.6 million as at 31 December 2012 to about RMB28.2 million as at 31 May 2013, mainly attributable to (i) the increase in accrued expenses and other payables of about RMB5.9 million mainly due to payables for purchase of motor vehicles, partially offset (ii) by the decrease in payroll and welfare payable and advances from customers of about RMB1.7 million and RMB1.4 million respectively.

Our non-current portion of other payables and accruals as at 31 December 2012 and 31 May 2013 mainly represented certain government grant received under the land lease agreement for Jinkai Processing Plant located in Guangxi. The land lease agreement has set out a target annual industrial processing value and tax payment for our Group upon completion of the construction project. Pursuant to the land lease agreement, the local government shall grant a construction subsidy to our Group. In the future, pursuant to the land lease agreement, if our Group is able to satisfy the prescribed amount of annual tax payment, our Group shall be entitled to a grant of development subsidy which will be available for a period of 5 years. Such development subsidy shall only be used for the expansion of processing capacity. The local government will be entitled to request our Group to refund these subsidies if our Group fails to satisfy certain prescribed criteria within 18 months since the expansion of its business scope.

INDEBTEDNESS

As at 31 July 2013, being the latest practicable date for the purpose of ascertaining information contained in the indebtedness statement prior to the printing of this Prospectus, our Group had total interest-bearing loans of about RMB90.0 million.

Interest-bearing loans

As at 31 December 2010, 2011 and 2012, 31 May 2013 and 31 July 2013, our Group recorded outstanding interest-bearing loans of about RMB37.0 million, RMB46.6 million, RMB45.0 million, RMB65.0 million and RMB90.0 million, respectively, in which RMB20.0 million, RMB46.6 million, RMB25.0 million, RMB45.0 million and RMB90.0 million, respectively, were repayable within one year or on demand. The interest-bearing loans were mainly raised for raw material procurement and providing liquidity to our Group. About RMB37.0 million, RMB46.6 million, RMB20.0 million, RMB20.0 million and RMB20.0 million of interest-bearing loans were secured loans as at 31 December 2010, 2011 and 2012, 31 May 2013 and 31 July 2013 respectively with details below.

The breakdown of our secured interest-bearing loans balance by nature of security as at the dates indicated is as follow:

	As at 31 December			As at 31 May	As at 31 July
	2010	**2011**	**2012**	**2013**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Amount of interest-bearing loan secured by pledge of assets *(Note 1)*	10,000	—	—	—	—
Amount of interest-bearing loan secured by guarantee by *(Note 2)*					
An independent third party	27,000	26,600	20,000	20,000	20,000
A shareholder	—	20,000	—	—	—
	37,000	46,600	20,000	20,000	20,000

Note 1: The carrying value of the pledged assets for security of our interest-bearing loan as at the dates indicated are as follows:

	As at 31 December			As at 31 May	As at 31 July
	2010	**2011**	**2012**	**2013**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Inventories	17,063	—	—	—	—

Note 2: Certain of our loans were guaranteed by Nanning Southern Financing Guarantee Co., Ltd. ("南寧南方融資性擔保有限公司", formerly known as "南寧南方擔保有限公司"), an independent third party of the Group, in order to obtain interest-bearing loans at a good rate. Ms. Liao Changxiang, a senior management of the Group, has given personal counter-guarantees in favour of the guarantor to secure such guarantees provided by the guarantor in respect of the above interest-bearing loans. Such counter-guarantees were released in May 2013.

Such guarantees were also counter-secured by our group's inventories and plant and machinery with carrying amount and net book values respectively as follows:

	As at 31 December			As at 31 May	As at 31 July
	2010	2011	2012	2013	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Inventories	26,651	27,554	—	—	—
Plant and machinery	38,118	32,738	—	—	—

Our interest-bearing loans increased by about RMB9.6 million or about 25.9%, from about RMB37.0 million as at 31 December 2010 to about RMB46.6 million as at 31 December 2011. Such increase was due to the net off effect of receipt of new interest-bearing loans of about RMB42.0 million during FY2011 and repayment of interest-bearing loans amounted to RMB32.4 million upon maturity.

Our interest-bearing loans decreased by about RMB1.6 million or about 3.4%, from about RMB46.6 million as at 31 December 2011 to about RMB45.0 million as at 31 December 2012. Such decrease was mainly due to repayment of interest-bearing loans of about RMB46.6 million and new interest-bearing loans of about RMB45.0 million obtained during FY2012.

Our interest-bearing loans increased by about RMB20.0 million or about 44.4%, from about RMB45.0 million as at 31 December 2012 to about RMB65.0 million as at 31 May 2013. Such increase was mainly due to new interest-bearing loans of about RMB20.0 million obtained during the five months ended 31 May 2013.

Our interest-bearing loans increased by about RMB25.0 million or about 38.5%, from about RMB65.0 million as at 31 May 2013 to about RMB90.0 million as at 31 July 2013. Such increase was mainly due to new interest-bearing loans of about RMB50.0 million obtained and repayment of interest-bearing loans of about RMB25.0 million during the two months ended 31 July 2013.

Amount due from a director

As at 31 December 2010, 2011 and 2012, 31 May 2013 and 31 July 2013, our Group recorded an amount due from a director, which was unsecured, interest free and repayable on demand, of about RMB2.6 million, RMB6.5 million, RMB1.9 million, RMB1.7 million and nil, respectively. The amount was fully settled prior to Listing.

Amounts due from/to related parties

As at 31 December 2010, 2011 and 2012, 31 May 2013 and 31 July 2013, our Group recorded amounts due from related parties, which were unsecured, interest free and repayable on demand, of about RMB28.9 million, RMB60.9 million, nil, RMB15.2 million and RMB1.9 million, respectively, of which nil, RMB14.7 million, nil, nil and nil were trade in nature as at 31 December 2010, 2011 and 2012, 31 May 2013 and 31 July 2013, respectively and the rest were non-trade in nature. The amounts due from related parties had been fully settled prior to Listing.

We recorded amounts due to related parties of about RMB0.2 million, nil, RMB6.7 million, RMB2.8 million and nil as at 31 December 2010, 2011 and 2012, 31 May 2013 and 31 July 2013, respectively, which were non-trade in nature, unsecured, interest free and repayable on demand. The amount was fully settled prior to Listing.

As confirmed by our Directors, our Group had no material defaults in payment of trade and non-trade payables and bank borrowings, nor any material 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.

Save for the aforesaid or otherwise disclosed herein and apart from intra-group liabilities, our Group did not have, at the close of business on 31 July 2013, any debt securities authorized or otherwise created but unissued, or term loans or bank overdrafts, debentures, mortgages, charges, obligations under hire purchase contracts or finance leases, 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 31 July 2013 and up to the date of this Prospectus.

COMMITMENTS AND CONTINGENT LIABILITIES

The following tables set forth the operating leases arrangements and commitments which we were obligated to make as at 31 May 2013 for the period indicated. The timing of these payments are based on our best estimate of contractual maturity of the obligations. The timing of the payments may differ significantly from the actual maturity of these obligations.

	As at 31 May 2013			
	Within a year	**In the second to fifth years inclusive**	**Over five years**	**Total**
	RMB million	*RMB million*	*RMB million*	*RMB million*
Operating lease arrangements	4.1	4.0	—	8.1
Capital commitments	3.3	—	—	3.3
Total	**7.4**	**4.0**	**—**	**11.4**

Our capital commitment has been primarily used in construction of our new processing plant in Guangxi.

As at 31 May 2013, 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 May 2013 and up to the date of this Prospectus.

EFFECT ON OUR FINANCIAL PERFORMANCE DUE TO LISTING EXPENSES

Our net profit for the year ending 31 December 2013 will have a considerable reduction due to the incurrence of listing expenses in 2013. Our financial performance for the year ending 31 December 2013 will be affected by such expenses as compared with our financial performance for the year ended 31 December 2012.

The estimated total listing fees for our Global Offering, primarily consisting of fees paid or payable to professional parties and underwriting fees and commission, are about RMB37.6 million (based on an Offer Price of HK$1.33 per Share, being the mid-point of the estimated Offer Price range, and assuming the Over-Allotment Option is not exercised). Among the estimated total listing fees, the amount of listing expenses to be recorded in the combined income statements and the amount to be debited to the share premium upon Listing are about RMB24.6 million and RMB13.0 million respectively. During the Track Record Period, we have recorded a total of about RMB14.3 million in listing expenses relating to our Global Offering in the combined income statements. For the year ending 31 December 2013, about RMB14.9 million of listing expenses will be recorded in the combined income statements.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Pursuant to Rule 13.18 of the Listing Rules, a general disclosure obligation will arise where an issuer or any of its subsidiaries enters into a loan agreement that includes a condition imposing specific performance obligations on any controlling shareholders, such as a requirement to maintain a specified minimum holding in the share capital of the issuer.

As at the Latest Practicable Date, our Directors confirm that there were no circumstances that would give rise to a disclosure requirement under Rule 13.13 to Rule 13.19 of the Listing Rules.

WORKING CAPITAL

Our Directors are of the opinion that after taking into account the cash flow generated from our operating activities, the existing financial resources available to us, including internally generated funds and the available interest-bearing loans and the estimated net proceeds of the Global Offering, and in the absence of unforeseen circumstances, we have sufficient working capital for our present requirements for the next 12 months from the date of this Prospectus.

QUANTITATIVE AND QUALITATIVE INFORMATION ABOUT MARKET RISKS

Interest rate risk

Our exposure to market risk for changes in interest rates relates primarily to our interest-bearing loans. We do not use derivative financial instruments to hedge our interest rate risk. Since our Company's interest-bearing loans all bear fixed interest, our exposure to risk of changes in market interest rates is low.

Foreign currency risk

We have transactional currency exposures. Such exposures arise from purchases denominated in USD.

Credit risk

We trade only with recognized and creditworthy third parties. It is our policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis, therefore, our exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of our Group, which comprise cash and cash equivalents, our exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Liquidity risk

We monitor our risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade and bills receivables) and projected cash flows from operations.

Our objective is to maintain a balance between continuity of funding and flexibility through the use of bank and other borrowings. In addition, banking facilities have been put in place for contingency purposes.

Capital management

The primary objective of our capital management is to ensure that it maintains a strong credit rating and a healthy capital ratio in order to support our business and maximize shareholders' value.

We manage our capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, we may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the Track Record Periods.

SENSITIVITY ANALYSIS

Our net profit is subject to, amongst others, selling price and material cost. Prospective investors should note that the below analyses on the historical financials are based on assumptions and are for reference only and should not be viewed as actual effect. Such information by no means reflects our Group's historical experience, financial results and normal course of conducting business. Prospective investors should not place undue reliance on such information.

Prospective investors should also note that each of the sensitivity analyses below only has one variable factor and assumes holding all other financial factors constant. The results of analyses for fluctuation of selling price and material cost are for illustration purposes only and such information would not be meaningful in terms of assessing our Group's financial performance. Furthermore, as mentioned above, the sensitivity analysis below does not reflect the way our Group conducts business normally (for example, our Group would not sell our products at a same price when the material cost in processing those products varies significantly) and prospective investors should not place undue reliance on the sensitivity analyses below.

During the Track Record Period, the major sources of our revenue and major components of our material cost were sales and material cost of color photographic paper and medical dry film, respectively. Fluctuation in the selling price and material cost of our color photographic paper and medical dry film would impact directly on our gross profit margin and profit before tax. The maximum year-on-year/period-on-period percentage change of average selling price and material cost of such products during the Track Record Period were about 8.7% and 8.0%, respectively. For illustration purpose, hypothetical fluctuation of 10% on the selling price and material cost of our products is adopted for the below analysis.

For FY2010, FY2011 and FY2012 and five months ended 31 May 2013, holding all other factors constant if the selling price of our products increases by 10%, our gross profit margin will be increased by about 7.6%, 7.6%, 7.5% and 7.5% respectively and our profit before tax will be increased by about RMB52.3 million, RMB97.7 million, RMB95.6 million and RMB41.4 million respectively. For FY2010, FY2011 and FY2012 and five months ended 31 May 2013, holding all other factors constant if the selling price of our products decreased by 10%, our gross profit margin will be decreased by 9.3%, 9.3%, 9.2% and 9.1% respectively and our profit before tax will be decreased by about RMB52.3 million, RMB97.7 million, RMB95.6 million and RMB41.4 million respectively.

For FY2010, FY2011 and FY2012 and five months ended 31 May 2013, holding all other factors constant, if our material cost increases or decreases by 10%, our gross profit margin will be increased or reduced by about 8.1%, 8.1%, 8.0% and 7.8% respectively and our profit before tax will be increased or reduced by about RMB42.5 million, RMB79.3 million, RMB76.0 million and RMB32.5 million respectively.

DISTRIBUTABLE RESERVES

As at 31 May 2013, there were no reserves available for distribution to the owners of our Company.

DIVIDEND POLICY

Subject to the Companies Law, we, through a general meeting, may declare final dividends in any currency to be paid to the Shareholders, but no dividend may be declared in excess of the amount recommended by our Board. Our Articles provide that dividends may be declared and paid out of our profit, realized or unrealized, or from any reserve set aside from profit which our Directors determine is no longer needed. With the sanction of an ordinary resolution, dividends may also be declared and paid out of our share premium account or any other fund or account which may be authorized for this purpose in accordance with the Companies Law.

In November 2012, Yestar Technology declared dividends to its then shareholders of about RMB47.4 million in total for the periods from 1 January 2010 to 31 October 2012, while Yestar Medical declared dividends to its then shareholder of about RMB44.5 million in total for the same periods. Except for the amount of about RMB3.4 million payable to Beijing Beichen, the dividends declared by Yestar Technology were settled on 4 July 2013 and 17 September 2013, while the dividends declared by Yestar Medical were fully settled on 7 June 2013. The dividend payable to Beijing Beichen will be settled as soon as practicable upon the lift of order from Beijing Second Intermediate People's Court in relation to Beijing Beichen's equity interest in Yestar Technology. Please refer to the section headed "History and development — Corporate development and structure — Yestar Technology" in this Prospectus for details. The said dividends declared were financed by internally generated funds of Yestar Technology and Yestar Medical. Save as aforesaid, no dividend has been declared or paid by the Company or its subsidiaries during the Track Record Period and from 1 June 2013 up to the Latest Practicable Date.

Our historical dividend distributions in the past should not be indicative of our future dividend policy. Subject to, amongst others, the factors described below, we currently intend to declare dividends of not less than 35% of our net profit for each of the financial years starting from the year ending 31 December 2013. Any declaration and payment, as well as the amount of dividends, will be subject to the approval of our Board and Shareholders (if necessary) and factors including but not limited to our profitability, financial condition, business development requirements, business prospects, cash requirements, payments by our subsidiaries of cash dividend to us, regulatory and contractual restrictions on our declaration and payment of dividends, our constitutional documents and applicable law of the Cayman Islands, PRC and other relevant jurisdictions. 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.

PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

Please see the section headed "Appendix II — Pro forma financial information" for details.

RECENT DEVELOPMENT

The following represents management analysis on our Group's results for the seven months ended 31 July 2013. Our Directors are responsible for the preparation and fair presentation of the unaudited combined management accounts of our Group for the seven months ended 31 July 2013 in accordance with International Accounting Standard 34 "*Interim Financial Reporting*" issued by the International Accounting Standards Board (the "IASB"). The combined management accounts of our Group for the seven months ended 31 July 2013 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 Preformed by the Independent Auditor of the Entity*" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Based on our unaudited combined management accounts of the Group, the total revenue of our Group, increased by about RMB78.2 million or about 55.9% from about RMB140.0 million for the two months ended 31 July 2012 to about RMB218.2 million for the two months ended 31 July 2013, mainly attributable to (i) increase in sales from PWB film and medical wet film as PWB film and medical wet film were launched in late 2012; and (ii) increase in sales of medical dry film resulting from increase in customer's demand of medical dry film. Despite the sales of color photographic paper decreased for the five months ended 31 May 2013 as compared to the corresponding period in 2012, our sales of color photographic paper improved during the two months ended 31 July 2013, with monthly average revenue of minilab color photographic paper and professional color photographic paper for the two months ended 31 July 2013 increased by about 43.8% and 20.3% respectively as compared to the average monthly revenue of the same products for the five months ended 31 May 2013.

Our Directors considered that such increase in sales of color photographic paper was attributable to our successful pricing strategies and enhanced marketing efforts on, including but not limited to, providing price discount to participants of promotion conferences, introducing and promoting our products to customers, strengthening customer relationship and bolstering customer confidence in our Group and our products through four promotion conferences during May 2013 to July 2013, as compared to one promotion conference during January 2013 to April 2013. However, our Directors considered that the competition in the minilab color photographic paper market will continue to intensify in light of the declining market trend. Please refer to the section headed "Risk factors — Risks relating to our business — Proliferation of digital image display applications has negative impact on the demand for some of our products" in this Prospectus for further details.

Based on the unaudited combined management accounts of our Group, the gross profit of our Group increased by about 79.9% for the two months ended 31 July 2013 as compared to that of corresponding period in 2012, mainly attributable to the increase in revenue and the increase in overall gross profit margin by about 2.2% mainly due to the increase in gross profit margin of sales of color photographic paper for the two months ended 31 July 2013 as compared with the corresponding period in 2012, as a result of increase in average selling price of color photographic paper.

MATERIAL ADVERSE CHANGE

Our Directors confirm that there has been no material adverse change in our financial or trading position or our prospects since 31 May 2013, being the date of the latest audited combined statement of financial position as set forth in the section headed "Accountants' Report" in Appendix I to this Prospectus, up to the date of this Prospectus.

FUTURE PLANS AND PROSPECTS

We have successfully secured our market position in respect of various image printing products in the past and we plan to further develop our imaging business in the PRC by tapping into the high-growth medical imaging industry. We plan to enhance our marketing efforts and expand our sales network for image printing products. To diversify our product mix, we also plan to strengthen our cooperation with Fujifilm Group as well as further enhance our R&D capability and increase our production capacities. We also plan to pursue strategic acquisitions to further expand our product portfolio, technologies and enhance development of sale channels for medical imaging products in the PRC. Please see the section headed "Business — Business strategies" in this Prospectus for further details of our future plans.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK$102.4 million (assuming an Offer Price of HK$1.33 per Share, being the mid-point of the indicative Offer Price range), after deducting the underwriting fees and commissions and estimated expenses payable by us in relation to the Global Offering, and assuming the Over-Allotment Option is not exercised.

We intend to use the net proceeds we will receive from the Global Offering for the following purposes in the three years following the Global Offering:

- About 35% or HK$35.9 million of the net proceeds will be used for the purchase of equipment and start-up cost for establishment of integrated print centres. We currently plan to establish integrated print centers in or near university campuses in Beijing, Shanghai and Guangzhou. Please see the section headed "Business — Business strategies — Enhance marketing efforts and expand our sales network for image printing products — Photo-related products and document-printing related products" in this Prospectus for further details.

- About 30% or HK$30.7 million of the net proceeds will be used for acquiring the entire or majority interest in a medical device company possessing a national sales network, manufacturing capabilities and requisite licenses for engaging in the medical x-ray device business in the PRC. As at the Latest Practicable Date, the Group had not identified any definite target company for the acquisition.

  In assessing acquisition opportunities, we will carefully consider a variety of criteria, including whether the company has an extensive sales network in the PRC which allows us access to the medical device market in first and second tier cities in the PRC, satisfactory manufacturing capacity and R&D capabilities, sizeable operation, professional expertise in medical device, diverse product portfolio and good reputation to help us establish our presence in the PRC medical device market. We will finance the acquisition of the company with 30% of net proceeds from the Listing as well as internal resources, net proceeds from fund raising activities in the equity market (by leveraging on our listing status) and/or bank borrowings, where appropriate. Please see the section headed "Business — Business strategies — Expand our product offering and sales channels for medical imaging products" in this Prospectus for further details.

- About 15% or HK$15.4 million of the net proceeds will be used for expansion of our processing capacity and construction of processing facilities. Please see the section headed "Business — Business strategies — Expansion of processing capacities" in this Prospectus for further details.

- About 10% or HK$10.2 million of the net proceeds will be used for R&D activities. Please see the section headed "Business — Business strategies — Further enhance our R&D capability" in this Prospectus for further details.

- About 10% or HK$10.2 million of the net proceeds will be used as general working capital for corporate or other purposes.

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

The net proceeds of the Global Offering (after deducting the underwriting fees and commissions and estimated expenses payable by us in relation to the Global Offering), based on the highest point of the Offer Price range (HK$1.55 per Share), are estimated to be approximately HK$126.2 million, representing additional net proceeds of approximately HK$23.8 million. The net proceeds of the Global Offering (after deducting the underwriting fees and commissions and estimated expenses payable by us in relation to the Global Offering), based on the lowest point of the Offer Price range (HK$1.11 per Share), are estimated to be approximately HK$78.6 million, representing a difference of approximately HK$23.8 million in the net proceeds. The proportion of net proceeds allocated to each of the intended uses will remain the same in both cases.

In the event that the Over-allotment Option is exercised in full, we will receive additional net proceeds of approximately HK$21.5 million (assuming an Offer Price of HK$1.33 per Share being the mid-point in the Offer Price range). We intend to apply the additional net proceeds to the above uses in the proportions stated above.

To the extent that the net proceeds of the Global Offering are not immediately used for the purposes described above, they will be placed on short term demand deposits with authorized financial institutions and/or licensed banks in Hong Kong and/or the PRC.

INTERNATIONAL UNDERWRITERS

Haitong International Securities Company Limited

China Galaxy International Securities (Hong Kong) Co., Limited

HONG KONG UNDERWRITERS

Haitong International Securities Company Limited

China Galaxy International Securities (Hong Kong) Co., Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company has agreed to offer the Hong Kong Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this Prospectus and the Application Forms. Subject to, among other conditions, the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this Prospectus by the Listing Committee and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have severally agreed to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares now being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions of this Prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

Grounds for termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares are subject to termination if, at any time prior to 8:00 a.m. on the Listing Date:

(a) either (i) there has been a breach of any of the representations, warranties, undertakings or provisions of either the Hong Kong Underwriting Agreement or the International Underwriting Agreement by our Company, or our Controlling Shareholders or our executive Directors; or (ii) any of the representations, warranties and undertakings given by our Company, or our Controlling Shareholders or our executive Directors in the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable, has been or is (or would when repeated be) untrue, incorrect, misleading, deceptive or breached in any respect; or

(b) any statement contained in this Prospectus, the Application Forms, the formal notice or any supplemental offering materials, announcement, roadshow materials, and any other document published or issued by or on behalf of the Company or the International Underwriters for the purposes of or in connection with the International Placing or any other document published or issued by or on behalf of our Company for the purposes of or in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) (together the "**Offer Documents**") considered by the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriter) and the Sole Sponsor in their absolute opinion to be material in the context of the Global Offering, was, when it was issued, or has become, untrue, incorrect, misleading or deceptive in any respect or that any forecast, expression of opinion, intention or expectation expressed in any of the Offer Documents is not, in the absolute opinion of the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriter) and the Sole Sponsor, in all material respects, fair and honest and based on reasonable assumptions, when taken as a whole; or

(c) any matter has arisen or has been discovered which would or might, had it arisen or been discovered immediately before the date of publication of this Prospectus, constitute an omission therefrom considered by the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriter) and the Sole Sponsor in their absolute opinion to be material in the context of the Global Offering; or

(d) there has been any breach, considered by the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriter) and the Sole Sponsor in their absolute opinion to be material in the context of the Global Offering, of any of the obligations imposed or to be imposed upon any party (other than the Hong Kong Underwriters) to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (in each case, other than on the part of any of the Underwriters); or

(e) there has been any matter, event, act or omission which gives or is likely to give rise to any liability of any of the parties giving the relevant undertaking pursuant to the indemnity provisions in the Hong Kong Underwriting Agreement or under the International Underwriting Agreement; or

(f) there has been any change or development or a prospective change or development in the conditions, business affairs, prospects, profits, losses or the financial or trading position or performance of any members of our Group considered by the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriter) and the Sole Sponsor in their opinion to be material in the context of the Global Offering; or

(g) the approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares (including any additional Shares that may be issued upon the exercise of the Over-allotment Option) is refused or not granted, or is qualified (other than subject to customary conditions), or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(h) our Company withdraws any of the Offer Documents (and/or any other documents used in connection with the contemplated subscription of the Offer Shares) or the Global Offering; or

(i) any person (other than the Hong Kong Underwriters) has withdrawn or sought to withdraw its consent to being named in any of the Offer Documents or to the issue of any of the Offer Documents; or

(j) a petition or an order is presented for the winding-up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed to take over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group; or

(k) an authority or a political body or organisation in any relevant jurisdiction has commenced any investigation or other action, or announced an intention to investigate or take other action, against any of the Directors and senior management members of our Group as set out in the section headed "Directors and senior management" in this Prospectus; or

(l) any litigation or claim of any third party has been or is being threatened or instigated against any member of our Group, the executive Directors or the Controlling Shareholders; or

(m) any of the Directors and senior management members of our Group as set out in the section headed "Directors and senior management" in this Prospectus has been or is being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or

(n) any governmental, regulatory or political body or organisation has commenced any action against a Director in his capacity as such or has announced that it intends to take any such action; or

(o) any member of our Group or any Director has contravened the Companies Ordinance or any of the Listing Rules; or

(p) there has been a prohibition on our Company for whatever reason from allotting or selling the Offer Shares pursuant to the terms of the Global Offering; or

(q) there has been non-compliance of this Prospectus (and/or any other documents used in connection with the subscription of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other laws applicable to the Global Offering; or

(r) our Company has issued or has been required to issue a supplement or amendment to this Prospectus (or to any other documents used in connection with the contemplated offer of Shares) pursuant to the Companies Ordinance or the Listing Rules or any requirement or request of the Stock Exchange other than with the approval of the Sole Global Coordinator and the Sole Sponsor; or

(s) there has been any change or development involving a prospective change, or a materialisation of, any of the risks set out in the section headed "Risk factors" in this Prospectus which is considered by the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriter) and the Sole Sponsor in their absolute opinion to be material; or

(t) the chairman, chief executive officer, or chief financial officer of our Company vacated or indicated an intention to vacate his or her office; or

(u) there has been a valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or

(v) any loss or damage has been sustained by any member of our Group (howsoever caused and whether or not the subject of any insurance or claim against any person) which is considered by the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriter) and the Sole Sponsor in their absolute opinion to be material;

(w) there will have developed, occurred or happened:

(i) any event, or series of events, beyond the reasonable control of the Underwriters (including, without limitation, acts of government or orders of any courts, strikes, calamity, crisis, lock-outs, fire, explosion, flooding, civil commotion, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God, acts of terrorism (whether or not responsibility has been claimed), declaration of a local, regional, national or international emergency, riot, public disorder, economic sanctions, outbreaks of diseases, pandemics or epidemics (including, without limitation, Severe Acute Respiratory Syndrome, avian influenza A (H5N1), Swine Flu (H1N1) or such related or mutated forms) or interruption or delay in transportation); or

(ii) any change or development or a prospective change or development, or any event or series of events, matters or circumstances likely to result in any change or development, or prospective change or development, in local, regional, national, international, financial, economic, political, military, industrial, fiscal, legal, regulatory, currency or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets in or affecting any of Hong Kong, the PRC, the United States, the United Kingdom, the Cayman Islands, the BVI, the European Union (or any member thereof), Japan or any other jurisdictions relevant to any member of our Group, its businesses or the Global Offering ("**Specific Jurisdictions**"), any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the London Stock Exchange, the American Stock Exchange, the NASDAQ Global Market, the NASDAQ National Market, the Tokyo Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, any interruption in monetary or trading or securities settlement or clearance services or procedures or matters) in or affecting Hong Kong or anywhere in the world; or

(iii) any new laws, rules, statutes, ordinances, regulations, guidelines, opinions, notices, circulars, orders, judgments, decrees or rulings of any governmental authority or change or development or a prospective change or development in existing Laws or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting any of the Specific Jurisdictions; or

(iv) any general moratorium on commercial banking activities in any of the Specific Jurisdictions declared by the relevant authorities, or a disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any of the Specific Jurisdictions; or

(v) the imposition of economic sanctions, in whatever form, directly or indirectly, by or for any of the Specific Jurisdictions; or

(vi) a change or development occurs involving a prospective change in taxation or exchange control (or the implementation of any exchange control), currency exchange rates or foreign investment laws (including, without limitation, any change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a material fluctuation in the exchange rate of the Hong Kong dollar or the Renminbi against any foreign currency) in or affecting any of the Specific Jurisdictions or affecting an investment in the Shares; or

(vii) an event where, as a result of market conditions or otherwise, a portion (which is considered by the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriter) and the Sole Sponsor in their absolute opinion to be material) of the orders in the book-building process at the time the International Underwriting Agreement is entered into, has been withdrawn or cancelled, and the Sole Global Coordinator, in its absolute discretion, conclude that it is therefore inadvisable or inexpedient or impracticable to proceed with the Global Offering;

and which, with respect to any of clauses (w)(i) through (vii) above, individually or in aggregate in the absolute opinion of the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriter):

(A) has or is or will or may or could be expected to have an adverse effect on the assets, liabilities, business, general affairs, management, shareholders' equity, profits, losses, results of operation, financial, trading or other condition or prospects or risks of our Company or our Group or any member of our Group or on any present or prospective Shareholder in his, her or its capacity as such; or

(B) has or will or may or could be expected to have an adverse effect on the success, marketability or pricing of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Placing; or

(C) makes or will make or may make it inadvisable, inexpedient or impracticable for any part of the Hong Kong Underwriting Agreement or the Global Offering to be performed or implemented or proceeded with as envisaged, or to market the Global Offering or shall otherwise result in an interruption to or delay thereof; or

(D) has or will or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof,

then the Sole Global Coordinator, in its sole and absolute discretion, may, for itself and on behalf of the other Hong Kong Underwriter, and in respect of events set out under paragraphs (a) to (v) above, the Sole Sponsor after consultation with each other, may terminate the Hong Kong Underwriting Agreement with immediate effect.

Undertakings under the Hong Kong Underwriting Agreement

Our Company has undertaken to the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters in the Hong Kong Underwriting Agreement that, except as permissible under Rule 10.08 of the Listing Rules, or except for the issue of Shares under the Global Offering, the Over-allotment Option, and any options which may be granted under the Share Option Scheme, or the grant of options under the Share Option Scheme, or with the prior written consent of the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriter) and unless in compliance with the requirements of the Listing Rules, it will not, and will procure that its subsidiaries will not at any time from the date of the Hong Kong Underwriting Agreement up to and including the date ending the six-month period immediately following the Listing Date (the "**First Six-Month Period**"):

(a) offer, accept subscription for, allot, issue, sell, assign, lend, pledge, mortgage, charge, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase, any of the share capital or securities of our Company or any interest in the securities of our Company or any voting right or any other right attaching thereto (including but not limited to any securities convertible into, exercisable or exchangeable for, or that represent the right to receive such share capital or securities or any interest in our Company's share or debt capital); or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share or debt capital or securities or any interest in the securities of our Company or any voting right or any other right attaching thereto; or

(c) offer or agree or contract to enter or enter into any transaction with the same economic effect as any transaction described in paragraphs (a) or (b) above; or

(d) publicly announce any intention to enter into any transaction described in (a), (b) or (c) above,

in each case, whether any of the foregoing transactions described in paragraphs (a), (b) or (c) above is to be settled by delivery of share capital or such other securities, in cash or otherwise.

Each of our Controlling Shareholders has jointly and severally undertaken to each of our Company, the Sole Sponsor, Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, except pursuant to the Global Offering, the Over-allotment Option or the Stock Borrowing Agreement or with the prior written consent of the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriter) and unless in compliance with the requirements of the Listing Rules:

(i) at any time during the First Six-Month Period, he shall not, and shall procure that the relevant registered holder(s) and his associates and companies controlled by him and any nominee or trustee holding in trust for him shall not:

(a) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or grant, contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend, make any short sale or otherwise transfer or dispose of (nor enter into any agreement to transfer or dispose of or otherwise create any options, rights, interest or encumbrances in respect of), either directly or indirectly, conditionally or unconditionally, or cause our Company to repurchase, any of the Shares or debt capital of our Company or the other securities of our Company or any interest in the Shares or debt capital of our Company or any voting right or any other right attaching thereto, including but not limited to any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any of the Shares or debt capital or the other securities of our Company or any interest in the Shares or debt capital owned directly by the Controlling Shareholders (including holding as a custodian) or with respect to which the Controlling Shareholders have or are shown in this Prospectus to have beneficial ownership (collectively the "**Relevant Securities**"). The foregoing restriction is expressly agreed to preclude the Controlling Shareholders from engaging in any hedging or other transaction which is designed to or which reasonably could be expected to lead to or result in a sale or disposition of the Relevant Securities even if such Shares would be disposed of by someone other than the Controlling Shareholders, respectively. Such prohibited hedging or other transactions would include without limitation any short sale or any purchase, sale or grant of any right (including without limitation any put or call option) with respect to any of the Relevant Securities or with respect to any security that includes, relates to, or derives any significant part of its value from such Shares; or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Relevant Securities; or

(c) offer or agree or contract (conditionally or unconditionally) to enter or enter into or effect any transaction with the same economic effect as any transaction described in paragraphs (a) or (b) above; or

(d) publicly announce any intention to enter into or effect any transaction described in paragraphs (a), (b) or (c) above,

whether any transaction described in paragraphs (a), (b) or (c) above is to be settled by delivery of Shares or such other securities in cash or otherwise;

(ii) at any time during the period of six months immediately after the expiry of the First Six-Month Period ("**Second Six-Month Period**"), he shall not, and shall procure that the relevant registered holder(s) and his associates and companies controlled by him and any nominee or trustee holding in trust for him shall not, enter into any of the foregoing transactions in paragraphs (i)(a) or (i)(b) or (i)(c) above or agree or contract to or publicly announce any intention to enter into any such transactions if, immediately following such transfer or disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances or any other transactions, each of the Controlling Shareholders will cease to be a controlling shareholder (as the term is defined in the Listing Rules) of our Company or would together with the other Controlling Shareholders cease to be a controlling shareholder (as the term is defined in the Listing Rules) of our Company;

(iii) until the expiry of the Second Six-Month Period, in the event that any of the foregoing transactions or acts in paragraph (i)(a), (i)(b), (i)(c) or (i)(d) above are carried out, he will use his best efforts to ensure that such transactions, agreements, contracts and announcements will not create a disorderly or false market in the securities of our Company;

(iv) he shall, and shall procure that his associates and companies controlled by him and any nominees or trustees holding in trust for him shall, comply with all the restrictions and requirements under the Listing Rules on the sale, transfer or disposal by him or by the registered holder controlled by him of any Shares; and

(v) at any time during the First Six-Month Period or the Second Six-Month Period (where applicable), (a) each of the Controlling Shareholders will, if he, directly or indirectly, pledges or charges any of the Relevant Securities which he is the beneficial owner or any interest therein in favour of an authorised institution pursuant to Note (2) to Rule 10.07 of the Listing Rules, immediately inform in writing our Company, the Sole Global Coordinator and, if required, the Stock Exchange of any such pledges or charges, the number of Shares or other securities of our Company and nature of interest so pledged or charged, and (b) each of the Controlling Shareholders will, if it or he receives any indication, either verbal or written, from any such pledgee or chargee of Shares or other securities of our Company that such pledged or charged Shares or other securities of our Company will be disposed of, immediately inform in writing our Company, the Sole Global Coordinator and, if required, the Stock Exchange of any such indication. Our Company shall, if required, inform the Stock Exchange in writing as soon as it has been informed of any of the matters referred to above (if any) by the Controlling Shareholders and disclose such matters by way of an announcement to be published in accordance with the Listing Rules as soon as possible.

International Placing

In connection with the International Placing, it is expected that our Company will enter into the International Underwriting Agreement with, inter alia, the International Underwriters, on terms and conditions that are substantially similar to the Hong Kong Underwriting Agreement as described above and on the additional terms described below. Under the International Underwriting Agreement, the International Underwriters will severally agree to subscribe or procure subscribers for the International Placing Shares being offered pursuant to the International Placing.

Our Company is expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Sole Global Coordinator (on behalf of the International Underwriters) at any time no earlier than the Price Determination Date until 30 days after the last day for lodging of the Application Forms under the Hong Kong Public Offering, to require our Company to issue and allot up to an aggregate of 16,875,000 additional Shares, representing not more than 15% of the initial number of the Offer Shares, at the Offer Price, to cover, among other things, over-allocations (if any) in the International Placing.

Commission and expenses

The Underwriters will receive an underwriting commission of 3.0% of the aggregate Offer Price of all the Offer Shares, out of which any sub-underwriting commission will be paid.

The underwriting commissions, documentation fees, listing fees, Stock Exchange trading fee and SFC transaction levy, legal, printing, other professional fees and other expenses relating to the Global Offering which were paid/are payable by our Company are estimated to amount to approximately HK$47.2 million in total, based on the issue price of HK$1.33 per Share (being the mid-point of the estimated Offer Price range) and assuming the Over-allotment Option is not exercised).

GLOBAL OFFERING

The Global Offering comprises:

(i) the Hong Kong Public Offering of initially 11,250,000 Offer Shares (subject to adjustment as mentioned below) in Hong Kong as described below in the paragraphs headed "Hong Kong Public Offering" in this section; and

(ii) the International Placing of initially 101,250,000 Offer Shares (subject to adjustment and the Over-allotment Option as mentioned below) outside the United States (including to professional and institutional investors within Hong Kong).

Investors may apply for Offer Shares under the Hong Kong Public Offering or, if qualified to do so, apply for or indicate an interest for Offer Shares under the International Placing, but may not do both.

The Offer Shares will represent 25% of the enlarged issued share capital of our Company immediately after completion of the Global Offering without taking into account the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 27.7% of the enlarged issued share capital immediately after completion of the Global Offering and the exercise of the Over-allotment Option as set out in the paragraphs headed "International Placing — Over-allotment Option" in this section.

HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

Our Company is initially offering 11,250,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Offer Shares initially available under the Global Offering.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in the paragraphs headed "Conditions of the Hong Kong Public Offering" in this section.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total number of Offer Shares available under the Hong Kong Public Offering (after taking into account any reallocation referred to below) are to be divided into 2 pools for allocation purposes: pool A and pool B. The Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of HK$5.0 million (excluding the brokerage, SFC transaction levy and Stock Exchange trading fee payable) or less. The Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of more than HK$5.0 million (excluding the brokerage, SFC transaction levy and Stock Exchange trading fee payable), and up to the value of pool B. Investors should be aware that applications in pool A and applications in pool B are likely to receive different allocation ratios. If Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in this other pool and be allocated accordingly. For the purpose of this paragraph only, the "price" for Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Offer Shares from either pool A or pool B but not from both pools. When there is over-subscription, allocation of the Hong Kong Offer Shares to investors under the Hong Kong Public Offering, both in relation to Pool A and Pool B, will be based solely on the level of valid applications received under the Hong Kong Public Offering.

Multiple or suspected multiple applications within either pool or between pools and any application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the designated **HK eIPO White Form** Service Provider through the **HK eIPO White Form** service (www.hkeipo.hk) for more than 50% of the 11,250,000 Shares initially composed in the Hong Kong Public Offering (i.e. 5,625,000 Hong Kong Offer Shares) are liable to be rejected.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Placing is subject to adjustment. If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more of the number of Offer Shares initially available under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Placing so that the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 33,750,000 Offer Shares (in the case of (i)), 45,000,000 Offer Shares(in the case of (ii)) and 56,250,000 Offer Shares (in the case of (iii)) representing 30.0%, 40.0% and 50.0% of the Offer Shares initially available under the Global Offering, respectively (before any exercise of the Over-allotment Option). In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Placing will be correspondingly reduced in such manner as the Sole Global Coordinator deems appropriate. In addition, the Sole Global Coordinator may allocate Offer Shares from the International Placing to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

If the Hong Kong Public Offering is not fully subscribed for, the Sole Global Coordinator has the authority, at its sole and absolute discretion, to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Placing, in such proportions as the Sole Global Coordinator deems appropriate.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Placing.

The listing of the Offer Shares on the Stock Exchange is sponsored by the Sole Sponsor. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK$1.55 per Share in addition to any brokerage, SFC transaction levy and Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the paragraphs headed "Price determination" in this section, is less than the maximum price of HK$1.55 per Share, appropriate refund payments (including the brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in the section headed "How to apply for Hong Kong Offer Shares".

References in this Prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

INTERNATIONAL PLACING

Number of Offer Shares offered

Subject to reallocation as described in this section and the exercise of the Over-allotment Option, our Company is initially offering 101,250,000 International Placing Shares for subscription, representing 90.0% of the total number of the Offer Shares initially available under the Global Offering.

Allocation

The International Placing will include selective marketing of Offer Shares to institutional and professional investors and/or other investors anticipated to have a sizeable demand for such Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Placing will be effected in accordance with the book-building process described in the paragraphs headed "Price determination" in this section and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Shares, after the Listing. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and its shareholders as a whole.

The Sole Global Coordinator (for itself and on behalf of the other International Underwriter) may require any investor who has been offered Offer Shares under the International Placing, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Sole Global Coordinator so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application of Offer Shares under the Hong Kong Public Offering.

Over-allotment Option

In connection with the Global Offering, the Company has granted an Over-allotment Option to the International Underwriters exercisable by the Sole Global Coordinator on behalf of the International Underwriters.

Pursuant to the Over-allotment Option, the Sole Global Coordinator (on behalf of the International Underwriters) has the right, exercisable at any time no earlier from the date of the International Underwriting Agreement until 30 days after the last day for lodging of the Application Forms under the Hong Kong Public Offering, to require our Company, to issue and allot up to an aggregate of 16,875,000 additional Shares, representing not more than 15% of the number of the Offer Shares initially available under the Global Offering, at the Offer Price, to cover, amongst others, over-allocations in the International Placing, if any. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 27.7% of our Company's share capital immediately following completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be made.

PRICE DETERMINATION

The International Underwriters will be soliciting from prospective professional, institutional and/or other investors indications of interest in acquiring Offer Shares in the International Placing. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as book-building, is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or around Thursday, 3 October 2013, and in any event on or before Friday, 4 October 2013, by agreement between the Sole Global Coordinator (on behalf of the Underwriters) and our Company, and the number of Offer Shares to be allocated under various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK$1.55 per Share and is expected to be not less than HK$1.11 per Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative offer price range stated in this Prospectus.**

The Sole Global Coordinator, on behalf of the Underwriters, may, where considered appropriate, based on the level of interest expressed by prospective professional, institutional and/or other investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares offered in the Global Offering and/or the indicative Offer Price range below that stated in this Prospectus (which is HK$1.11 per Share) at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause there to be published in the *South China Morning Post* (in English) and the *Hong Kong Economic Times* (in Chinese), on the website of our Company (www.yestarcorp.com) and the website of the Stock Exchange (www.hkexnews.hk) notice of the reduction in the number of Offer Shares being offered under the Global Offering and or the Offer Price. Upon issue of such a notice, the number of Offer Shares offered in the Global Offering and/or the revised offer price range will be final and conclusive and the offer price, if agreed upon by the Sole Global Coordinator (on behalf of the Underwriters) and our Company, will be fixed within such revised offer price range. Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may not be made until the last day for lodging applications under the Hong Kong Public Offering.

Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in the section headed "Summary" of this Prospectus, and any other financial information which may change as a result of such reduction. In the absence of any such notice so published, the Offer Price, if agreed upon with our Company and the Sole Global Coordinator (on behalf of the Underwriters), will under no circumstances be set outside the offer price range as stated in this Prospectus.

The net proceeds of the Global Offering to our Company (after deduction of underwriting fees and estimated expenses payable by our Company in relation to the Global Offering) are estimated to be approximately HK$102.4 million, based on an Offer Price of HK$1.33 per Share (being the mid-point of the indicative range of the Offer Price of HK$1.11 to HK$1.55 per Share) and assuming the Over-allotment Option is not exercised.

The final Offer Price, the indications of interest in the Global Offering, the results of applications and the basis of allotment of Offer Shares available under the Hong Kong Public Offering, are expected to be announced on Thursday, 10 October 2013 on the Company's website at **www.yestarcorp.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

HONG KONG UNDERWRITING AGREEMENT

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to, among other things, our Company and the Sole Global Coordinator (for itself and on behalf of the other Underwriter) agreeing on the Offer Price. Details of the underwriting arrangements are summarized in the section headed "Underwriting" in this Prospectus.

CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for Offer Shares pursuant to the Hong Kong Public Offering will be conditional on, among other things:

(i) the Listing Committee granting or agreeing to grant the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (subject only to allotment);

(ii) the Offer Price having been fixed on or around the Price Determination Date; and

(iii) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the Hong Kong Underwriting Agreement,

in each case on or before the dates and times specified in the Hong Kong Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than 30 days after the date of this Prospectus.

If, for any reason, the Offer Price is not agreed between our Company and the Sole Global Coordinator (for itself and on behalf of the other Underwriter) on or before the Price Determination Date, the Global Offering will not proceed.

The consummation of each of the Hong Kong Public Offering and the International Placing is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company in the *South China Morning Post* and the *Hong Kong Economic Times* on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed "How to apply for Hong Kong Offer Shares" in this Prospectus. In the meantime, all application monies will be held in (a) separate bank account(s) with the receiving bank or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares are expected to be issued on Thursday, 10 October 2013 but will only become valid certificates of title at 8:00 a.m. on Friday, 11 October 2013 provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the paragraphs headed "Underwriting — Underwriting arrangements and expenses — Hong Kong Public Offering — Grounds for termination" in this Prospectus has not been exercised.

DEALING

Assuming that the Global Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, 11 October 2013, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, 11 October 2013.

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Placing Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form service** at **www.hkeipo.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Sole Global Coordinator, the **HK eIPO White Form service provider** and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form service**, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Company and the Sole Global Coordinator may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form service** for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in the Company and/or any of its subsidiaries;
- a Director or chief executive officer of the Company and/or any of its subsidiaries;
- a connected person (as defined in the Listing Rules) of the Company or will become a connected person of the Company immediately upon completion of the Global Offering;
- an associate (as defined in the Listing Rules) of any of the above; and
- have been allocated or have applied for any International Placing Shares or otherwise participate in the International Placing.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.hkeipo.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and this prospectus during normal business hours from 9:00 a.m. on Friday, 27 September 2013 until 12:00 noon on Thursday, 3 October 2013 from:

(i) any of the following offices of the Joint Bookrunners:

Haitong International Securities Company Limited
22/F, Li Po Chun Chambers,
189 Des Voeux Road Central,
Hong Kong; or

China Galaxy International Securities (Hong Kong) Co., Limited
Units 3501-07 & 3513-14,
35/F, Cosco Tower,
183 Queen's Road Central,
Hong Kong

(ii) any of the branches of the following Receiving Bank:

Bank of Communications Co., Ltd. Hong Kong Branch

District	Branch name	Branch address
Hong Kong Island	Hong Kong Branch	20 Pedder Street, Central
	North Point Sub-Branch	442-444 King's Road, North Point
	Wanchai Sub-Branch	G/F., 32-34 Johnston Road
Kowloon	Mongkok Sub-Branch	Shops A & B, G/F., Hua Chiao Commercial Centre, 678 Nathan Road
	Tsimshatsui Sub-Branch	Shop 1-3, G/F., 22-28 Mody Road, Tsimshatsui
	Ngau Tau Kok Sub-Branch	Shop G1 & G2, G/F., Phase I, Amoy Plaza, 77 Ngau Tau Kok Road
New Territories	Sha Tsui Road Sub-Branch	122-124 Sha Tsui Road, Tsuen Wan

You can collect a **YELLOW** Application Form and this prospectus during normal business hours from 9:00 a.m. on Friday, 27 September 2013 until 12:00 noon on Thursday, 3 October 2013 from the Depository Counter of HKSCC at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Bank of Communications (Nominee) Co. Ltd. — Yestar Intl Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Friday, 27 September 2013 — 9:00 a.m. to 5:00 p.m.
Saturday, 28 September 2013 — 9:00 a.m. to 1:00 p.m.
Monday, 30 September 2013 — 9:00 a.m. to 5:00 p.m.
Wednesday, 2 October 2013 — 9:00 a.m. to 5:00 p.m.
Thursday, 3 October 2013 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, 3 October 2013, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Application Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form service**, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorize the Company and/or the Sole Global Coordinator (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) agree to comply with the Companies Ordinance and the Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) agree that none of the Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing nor participated in the International Placing;

(viii) agree to disclose to the Company, our Hong Kong Branch Share Registrar, the Receiving Bank, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the

Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorize the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that the Company and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or to the **HK eIPO White Form Service Provider** by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC; and (ii) you have due authority to sign the Application Form or give electronic application instructions on behalf of that other person as their agent.

Additional Instructions for Yellow Application Form

You may refer to the Yellow Application Form for details.

5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in "Who can apply" section may apply through the **HK eIPO White Form service** for the Offer Shares to be allotted and registered in their own names through the designated website at **www.hkeipo.hk**.

Detailed instructions for application through the **HK eIPO White Form service** are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorize the **HK eIPO White Form Service Provider** to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the HK eIPO White Form service.

Time for Submitting Applications under the HK eIPO White Form

You may submit your application to the **HK eIPO White Form Service Provider** at **www.hkeipo.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Friday, 27 September 2013 until 11:30 a.m. on Thursday, 3 October 2013 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, 3 October 2013 or such later time under the paragraphs headed "Effects of Bad Weather on the Opening of the Application Lists" in this section.

No Multiple Applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **HK eIPO White Form service** to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **HK eIPO White Form** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form service** or by any other means, all of your applications are liable to be rejected.

Section 40 of the Hong Kong Companies Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies Ordinance (as applied by Section 342E of the Companies Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give electronic application instructions to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these electronic application instructions through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (https://ip.ccass.com) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input electronic application instructions for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
2/F, Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Sole Global Coordinator and our Hong Kong Branch Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given electronic application instructions to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;

- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing;

- declare that only one set of electronic application instructions has been given for your benefit;

- (if you are an agent for another person) declare that you have only given one set of electronic application instructions for the other person's benefit and are duly authorized to give those instructions as their agent;

- confirm that you understand that the Company, the Directors and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;

- authorize the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

- agree that none of the Company, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- agree to disclose your personal data to the Company, our Hong Kong Branch Share Registrar, Receiving Bank, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or its respective advisers and agents;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving electronic application instructions to apply for Hong Kong Offer Shares;

- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies Ordinance and the Articles of Association; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving electronic application instructions to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions for a minimum of 2,500 Hong Kong Offer Shares. Instructions for more than 2,500 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

- Friday, 27 September 2013 — 9:00 a.m. to 8:30 p.m.[(1)]

- Saturday, 28 September 2013 — 8:00 a.m. to 1:00 p.m.[(1)]

- Monday, 30 September 2013 — 8:00 a.m. to 8:30 p.m.[(1)]

- Wednesday, 2 October 2013 — 8:00 a.m. to 8:30 p.m.[(1)]

- Thursday, 3 October 2013 — 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 Friday, 27 September 2013 until 12:00 noon on Thursday, 3 October 2013 (24 hours daily, except on the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Thursday, 3 October 2013, the last application day or such later time as described in paragraphs headed "Effect of Bad Weather on the Opening of the Application Lists" in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies Ordinance (as applied by Section 342E of the Companies Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by the Company, the Hong Kong Branch Share Registrar, the Receiving Bank, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **HK eIPO White Form service** is also only a facility provided by the **HK eIPO White Form Service Provider** to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form service** will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of electronic application instructions, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on Thursday, 3 October 2013 or such later time under the "Effects of Bad Weather on the Opening of the Application Lists" below.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form (whether individually or jointly) or by giving electronic application instructions to HKSCC or through **HK eIPO White Form service**, is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange. "Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or

- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form service** in respect of a minimum of 2,500 Hong Kong Offer Shares. Each application or electronic application instruction in respect of more than 2,500 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.hkeipo.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed "Structure of the Global Offering — Price Determination".

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on 3 October 2013. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on 3 October 2013 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed "Expected Timetable" in this Prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Placing, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Thursday, 10 October 2013 on the Company's website at **www.yestarcorp.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong Identity Card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company's website at **www.yestarcorp.com** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m., Thursday, 10 October 2013;
- from the designated results of allocations website at **www.tricor.com.hk/ipo/result** with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Thursday, 10 October 2013 to 12:00 midnight, on Wednesday, 16 October 2013;
- by telephone enquiry line by calling 3691 8488 between 9:00 a.m. and 6:00 p.m. from Thursday, 10 October 2013 to Wednesday, 16 October 2013 on a business day;
- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, 10 October 2013 to Tuesday, 15 October 2013 at all the Receiving Bank branches and sub-branches.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure of the Global Offering" in this Prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving electronic application instructions to HKSCC or to **HK eIPO White Form Service Provider**, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies Ordinance (as applied by Section 342E of the Companies Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicant(s) who have already submitted an application will be notified that they are required to confirm their applications. If applicant(s) have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the 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 the satisfaction of such conditions or results of the ballot respectively.

(ii) **If the Company or its agents exercise their discretion to reject your application:**

The Company, the Sole Global Coordinator, the Joint Bookrunners, the **HK eIPO White Form Service Provider** and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) **If the allotment of Hong Kong Offer Shares is void:**

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant approval for the listing of, and permission to deal in the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

(iv) **If:**

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your electronic application instructions through the **HK eIPO White Form service** are not completed in accordance with the instructions, terms and conditions on the designated website;

- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonored upon its first presentation;

- the Underwriting Agreements do not become unconditional or are terminated;

- the Company or the Sole Global Coordinator or the Joint Bookrunners believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or

- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK$1.55 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed "Structure of the Global Offering — Conditions of the Hong Kong Public Offering" in this Prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Thursday, 10 October 2013.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by electronic application instructions to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- Share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificate(s) will be deposited into CCASS as described below); and

- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest).

Part of the Hong Kong Identity Card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong Identity Card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong Identity Card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Thursday, 10 October 2013. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Friday, 11 October 2013 provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting" in this Prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) ***If you apply using a WHITE Application Form***

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) from the Hong Kong Branch Share Register, Tricor Investor Services Limited, 26/F, Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 10 October 2013 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on or before Thursday, 10 October 2013, by ordinary post and at your own risk.

(ii) ***If you apply using a YELLOW Application Form***

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Thursday, 10 October 2013, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on or before Thursday, 10 October 2013, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)*

For Hong Kong Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS investor participant*

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in the paragraphs headed "Publication of Results" in this section. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 10 October 2013 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) ***If you apply through the HK eIPO White Form service***

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) (where applicable) in person from Tricor Investor Services Limited, 26/F, Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 10 October 2013, or such other date as notified by the Company in the newspapers as the date of despatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Thursday, 10 October 2013 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) ***If you apply via Electronic Application Instructions to HKSCC***

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, 10 October 2013, or, on any other date determined by HKSCC or HKSCC Nominees.

- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong Identity Card number/passport number or other identification code (Hong Kong Business Registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "Publication of Results" above on Thursday, 10 October 2013. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 10 October 2013 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, 10 October 2013. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, 10 October 2013.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

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

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangements as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

22/F CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

27 September 2013

The Directors
Yestar International Holdings Company Limited
Haitong International Capital Limited

Dear Sirs,

We set out below our report on the financial information of Yestar International Holdings Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") comprising the combined income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2010, 2011 and 2012, and the five months ended 31 May 2013 (the "Relevant Periods"), and the combined statements of financial position of the Group as at 31 December 2010, 2011 and 2012 and 31 May 2013 and the statement of financial position of the Company as at 31 December 2012 and 31 May 2013, together with the notes thereto (the "Financial Information"), and the combined income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the five months ended 31 May 2012 (the "Interim Comparative 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 27 September 2013 (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 as an exempted company with limited liability in the Cayman Islands on 1 February 2012. Pursuant to a group reorganization (the "Reorganization") as set out in note 2.1 of Section II below, which was completed on 18 September 2013, the Company became the holding company of the other subsidiaries comprising the Group. Apart from the Reorganization, 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 date of this report, 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 International Financial Reporting Standards ("IFRSs") issued by the International Accounting

Standards Board (the "IASB"). The Underlying Financial Statements for each of the years ended 31 December 2010, 2011 and 2012, and the five months ended 31 May 2013 were audited by Ernst & Young Hua Ming in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board (the "IAASB").

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, the Financial Information and the Interim Comparative Information that give a true and fair view in accordance with IFRSs, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements and the Financial Information and the Interim Comparative 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 and a review conclusion on the Financial Information and the Interim Comparative Information, respectively, and to report our opinion and review conclusion 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 Hong Kong Institute of Certified Public Accountants ("HKICPA").

We have also performed a review of the Interim Comparative Information in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an opinion on the Interim Comparative Information.

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 2010, 2011 and 2012 and 31 May 2013 and the Company as at 31 December 2012 and 31 May 2013 and of the combined results and cash flows of the Group for each of the Relevant Periods.

Review conclusion in respect of the Interim Comparative Information

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Interim Comparative Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

I. FINANCIAL INFORMATION

Combined income statements

		Year ended 31 December			Five-month period ended 31 May	
		2010	2011	2012	2012	2013
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
REVENUE	7	523,177	977,098	955,818	371,794	414,024
Cost of sales		(437,873)	(813,679)	(788,508)	(299,615)	(340,354)
Gross profit		85,304	163,419	167,310	72,179	73,670
Other income and gains	7	8,184	10,834	8,468	1,308	2,444
Selling and distribution costs		(38,464)	(55,777)	(49,638)	(21,488)	(21,266)
Administrative expenses		(24,694)	(41,465)	(41,101)	(15,908)	(21,866)
Other expenses		(536)	(4,146)	(591)	(473)	(326)
Finance costs	8	(2,603)	(3,562)	(2,875)	(784)	(1,739)
PROFIT BEFORE TAX	9	27,191	69,303	81,573	34,834	30,917
Income tax expense	12	(5,515)	(21,008)	(23,540)	(10,256)	(10,797)
PROFIT FOR THE YEAR/PERIOD		21,676	48,295	58,033	24,578	20,120
Attributable to:						
Owners of the parent		19,297	47,312	56,517	24,004	20,281
Non-controlling interests		2,379	983	1,516	574	(161)
		21,676	48,295	58,033	24,578	20,120
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	14	N/A	N/A	N/A	N/A	N/A

Details of the dividends for the Relevant Periods are disclosed in note 13 to the Financial Information.

Combined statements of comprehensive income

	Year ended 31 December			Five-month period ended 31 May	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Profit for the year/period	21,676	48,295	58,033	24,578	20,120
Other comprehensive income:					
Exchange realignment	—	—	—	—	—
Total comprehensive income for the year/period	21,676	48,295	58,033	24,578	20,120
Attributable to:					
Owners of the parent	19,297	47,312	56,517	24,004	20,281
Non-controlling interests	2,379	983	1,516	574	(161)
	21,676	48,295	58,033	24,578	20,120

Combined statements of financial position

		As at 31 December			As at 31 May
		2010	2011	2012	2013
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	16	56,519	53,247	95,888	108,191
Prepaid land lease payments	17	—	15,331	15,022	15,797
Intangible assets	18	3,535	2,542	2,675	2,673
Deferred tax assets	19	1,985	3,306	5,943	6,691
		62,039	74,426	119,528	133,352
CURRENT ASSETS					
Inventories	20	143,093	132,827	177,768	228,707
Trade and bills receivables	21	11,826	36,941	100,754	117,360
Prepayments, deposits and other receivables	22	22,312	17,704	24,339	30,486
Amount due from a director	24	2,617	6,486	1,916	1,672
Amounts due from related parties	25	28,872	60,872	—	15,226
Pledged deposits	23	—	4,566	2,503	2,580
Cash and cash equivalents	23	68,537	142,039	160,393	135,204
		277,257	401,435	467,673	531,235
CURRENT LIABILITIES					
Interest-bearing loans	26	20,000	46,600	25,000	45,000
Trade and bills payables	27	102,073	183,855	244,246	293,191
Other payables and accruals	28	60,856	45,736	25,561	28,225
Tax payable		3,882	12,954	22,422	9,818
Dividend payable		—	—	83,972	83,972
Amounts due to related parties	25	228	—	6,736	2,786
		187,039	289,145	407,937	462,992
NET CURRENT ASSETS		90,218	112,290	59,736	68,243
TOTAL ASSETS LESS CURRENT LIABILITIES		152,257	186,716	179,264	201,595

		As at 31 December			As at 31 May
		2010	**2011**	**2012**	**2013**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT LIABILITIES					
Interest-bearing loans	26	17,000	—	20,000	20,000
Other payables	28	—	—	9,133	9,133
Deferred tax liabilities	19	1,965	5,129	1,028	3,239
		18,965	5,129	30,161	32,372
Net assets		133,292	181,587	149,103	169,223
EQUITY					
Equity attributable to owners of the parent					
Share capital	29	—	—	—	—
Contributed surplus	30	108,855	108,855	111,526	111,526
Reserves	30	2,268	49,580	28,627	48,908
		111,123	158,435	140,153	160,434
Non-controlling interests		22,169	23,152	8,950	8,789
Total equity		133,292	181,587	149,103	169,223

Combined statements of changes in equity

	Attributable to equity holders of the parent						
	Share capital	Contributed surplus	Statutory reserve fund*	(Accumulated losses)/ retained earnings*	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 29)	*(note 30)*	*(note 30)*				
At 1 January 2010	—	104,087	1,994	(19,023)	87,058	19,790	106,848
Total comprehensive income for the year	—	—	—	19,297	19,297	2,379	21,676
Capital contribution	—	4,768	—	—	4,768	—	4,768
Transfer from retained earnings	—	—	1,557	(1,557)	—	—	—
At 31 December 2010 and 1 January 2011	—	108,855	3,551	(1,283)	111,123	22,169	133,292
Total comprehensive income for the year	—	—	—	47,312	47,312	983	48,295
Transfer from retained earnings	—	—	3,508	(3,508)	—	—	—
At 31 December 2011 and 1 January 2012	—	108,855	7,059	42,521	158,435	23,152	181,587
Total comprehensive income for the year	—	—	—	56,517	56,517	1,516	58,033
Capital contribution	—	7	—	—	7	—	7
Acquisition of entities under common control	—	(6,286)	—	—	(6,286)	—	(6,286)
Special dividend declared (note 13)	—	—	—	(77,470)	(77,470)	(6,768)	(84,238)
Acquisition of non-controlling interest	—	8,950	—	—	8,950	(8,950)	—
Transfer from retained earnings	—	—	3,930	(3,930)	—	—	—
At 31 December 2012 and 1 January 2013	—	111,526	10,989	17,638	140,153	8,950	149,103
Total comprehensive income for the period	—	—	—	20,281	20,281	(161)	20,120
Transfer from retained earnings	—	—	2,457	(2,457)	—	—	—
At 31 May 2013	—	111,526	13,446	35,462	160,434	8,789	169,223
At 1 January 2012	—	108,855	7,059	42,521	158,435	23,152	181,587
Capital contribution	—	7	—	—	7	—	7
Total comprehensive income for the period	—	—	—	24,004	24,004	574	24,578
Transfer from retained earnings	—	—	1,224	(1,224)	—	—	—
At 31 May 2012 (unaudited)	—	108,862	8,283	65,301	182,446	23,726	206,172

* These reserve accounts comprise the combined reserves of RMB48,908,000 as at 31 May 2013 (31 December 2012: RMB28,627,000, 2011: RMB49,580,000, 2010: RMB2,268,000) in the combined statement of financial position.

Combined statements of cash flows

		Year ended 31 December			Five-month period ended 31 May	
		2010	2011	2012	2012	2013
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		27,191	69,303	81,573	34,834	30,917
Adjustments for:						
Finance costs	8	2,603	3,562	2,875	784	1,739
Interest income		—	—	(2,874)	—	—
Provision for impairment of trade receivables	9	413	848	—	—	—
Provision for impairment of inventories	9	—	—	—	—	848
Reversal of impairment of trade receivables	9	—	—	(554)	(554)	—
Provision for impairment of other receivables	9	—	167	—	—	—
Provision for impairment of property, plant and equipment	9	—	286	—	—	—
Provision for impairment of intangible assets	9	—	2,722	—	—	—
Depreciation of items of property, plant and equipment	9	8,932	9,382	9,316	3,669	4,852
Amortization of prepaid land lease payments	9	—	103	309	129	136
Amortization of intangible assets	9	464	558	475	187	214
Loss/(gain) on disposal of items of property, plant and equipment	9	57	(128)	376	89	112
		39,660	86,803	91,496	39,138	38,818
(Increase)/decrease in trade and bills receivables		(3,399)	(25,963)	(63,259)	4,749	(16,606)
(Increase)/decrease in prepayments, deposits and other receivables		(8,735)	4,442	(6,636)	(10,237)	(6,147)
(Increase)/decrease in inventories		(46,382)	10,266	(44,941)	(51,871)	(51,787)
Increase/(decrease) in trade and bills payables		41,138	81,782	60,391	(24,779)	48,945
Increase/(decrease) in other payables and accruals		39,824	(15,120)	(20,175)	(11,802)	2,664
(Increase)/decrease in pledged deposits		—	(4,566)	2,063	(1,427)	(77)
(Increase)/decrease in amounts due from related parties		(6,682)	(27,246)	46,774	46,774	(15,226)
(Decrease)/increase in an amount due to a related party		—	(228)	—	369	—
		55,424	110,170	65,713	(9,086)	584
Income tax paid		(1,582)	(10,093)	(21,075)	(13,013)	(21,938)

	Year ended 31 December			Five-month period ended 31 May	
	2010	2011	2012	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	53,842	100,077	44,638	(22,099)	(21,354)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of items of property, plant and equipment	(17,908)	(6,893)	(51,883)	(16,854)	(17,717)
Additions to prepaid land lease payments	—	(15,434)	—	—	(911)
Purchases of intangible assets	(349)	(2,287)	(608)	(441)	(212)
Proceeds from disposal of items of property, plant and equipment	616	625	—	—	—
Receipt of government grants	—	—	9,133	9,133	—
Interest received from term deposits	—	—	2,874	—	—
Acquisition of entities under common control	—	—	—	—	(6,286)
(Increase)/decrease in an amount due from a director	(2,578)	(3,869)	4,570	6,530	244
(Increase)/decrease in an amount due from a related party	(3,528)	(4,755)	14,098	7,301	—
NET CASH FLOWS (USED IN)/FROM INVESTING ACTIVITIES	(23,747)	(32,613)	(21,816)	5,669	(24,882)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from capital contribution	4,768	—	7	7	—
New interest-bearing loans	27,000	42,000	45,000	—	20,000
Repayment of interest-bearing loans	(31,600)	(32,400)	(46,600)	(20,960)	—
Increase in an amount due to a related party	—	—	—	—	2,786
Interest paid	(2,603)	(3,562)	(2,875)	(784)	(1,739)
NET CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES	(2,435)	6,038	(4,468)	(21,737)	21,047
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	27,660	73,502	18,354	(38,167)	(25,189)
Cash and cash equivalents at beginning of year/period	40,877	68,537	142,039	142,039	160,393
Effect of foreign exchange rate changes, net	—	—	—	—	—
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	68,537	142,039	160,393	103,872	135,204

	Year ended 31 December			Five-month period ended 31 May	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS					
Cash and non-pledged bank balances	68,537	59,809	75,285	21,642	50,096
Non-pledged time deposits	—	82,230	85,108	82,230	85,108
CASH AND CASH EQUIVALENTS AS STATED IN THE STATEMENTS OF FINANCIAL POSITION	68,537	142,039	160,393	103,872	135,204

Statement of financial position of the Company

	Notes	As at 31 December 2012 *RMB'000*	As at 31 May 2013 *RMB'000*
CURRENT ASSETS			
Cash and cash equivalents		—	—
Amount due from shareholders		—	—
		—	—
NET CURRENT ASSETS		—	—
TOTAL ASSETS LESS CURRENT LIABILITIES		—	—
Net assets		—	—
EQUITY			
Share capital	29	—	—
Reserves		—	—
Total equity		—	—

II. NOTES TO FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Yestar International Holdings Company Limited (the "Company") was incorporated in the Cayman Islands on 1 February 2012 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. In the opinion of the Directors, the Company's ultimate controlling shareholders are Jeane Hartono, Rico Hartono, James Hartono and Chen Chen Irene Hartono.

The Company is an investment holding company. During the Relevant Periods, the Company's subsidiaries were involved in the following principal activities:

- manufacture and sales of color photographic paper, industrial NDT x-ray film and PWB film, and trading of imaging equipment and other famous brand consumer products authorized by the related suppliers; and
- manufacture and sales of medical dry films, medical wet films and dental films.

The Company and its subsidiaries now comprising the Group underwent the Reorganization as set out in the paragraph headed "Reorganization" in the section headed "History and development" to the Prospectus.

As at the date of this report, 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:

Name of company	Place and date of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
			%	%	
Subsidiaries					
Yestar Asia Company Limited[(1)] ("Yestar BVI")	The British Virgin Island ("BVI") 1 February 2012	—*	100	—	Investment holding
Yestar International (HK) Company Limited[(2)] ("Yestar HK")	Hong Kong 29 February 2012	HKD10,000	—	100	Investment holding

* *The total issued shares of Yestar BVI as at the date of this report are 10,172 which are without par value. The total subscription Price of these issued shares is USD1,100.*

Name of company	Place and date of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
			%	%	
Yestar (Shanghai) Co., Ltd.(3) ("Yestar Shanghai")	The People's Republic of China ("PRC")/Mainland China 20 July 2000	USD1,000,000	—	100	Marketing and sales of color photographic paper, photo-related products, document printing equipment and consumables, industrial NDT x-ray films and dental films
Yestar (Guangxi) Technology Co., Ltd.(4) ("Yestar Technology")	PRC/Mainland China 23 July 2004	USD14,000,000	—	92.86	Manufacture and sales of color photographic paper and manufacture of industrial NDT x-ray films
Yestar (Guangxi) Medical System Co., Ltd.(5) ("Yestar Medical")	PRC/Mainland China 24 December 2009	USD1,050,000	—	100	Manufacture of dental films and manufacture and sales of medical dry films and medical wet films
Yestar (Guangxi) Imaging Technology Co., Ltd.(6) ("Yestar Imaging")	PRC/Mainland China 23 November 2010	RMB18,000,000	—	100	Manufacture of color photographic paper and manufacture and sales of PWB films

Notes:

(1) No audited financial statements have been prepared for this entity since its date of incorporation, as the entity were not subject to any statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

(2) No audited financial statements have been prepared for this entity since its date of incorporation.

(3) The statutory financial statements for the years ended 31 December 2010, 2011 and 2012 were audited by Shanghai Tian-Heng CPAs Co., Ltd. (上海天衡會計師事務所有限公司), Certified Public Accountants registered in Mainland China.

(4) The statutory financial statements for the years ended 31 December 2010, 2011 and 2012 were audited by Guangxi Tianhong Certified Public Accountants Ltd. (廣西天紅會計師事務所有限公司), certified public accountants registered in Mainland China.

(5) The statutory financial statements for the years ended 31 December 2010, 2011 and 2012 were audited by Guangxi Tianhong Certified Public Accountants Ltd. (廣西天紅會計師事務所有限公司), certified public accountants registered in Mainland China.

(6) The statutory financial statements for the years ended 31 December 2010, 2011 and 2012 were audited by Guangxi Tianhong Certified Public Accountants Ltd. (廣西天紅會計師事務所有限公司), certified public accountants registered in Mainland China.

The English names of the auditors registered in Mainland China represent the best efforts made by the Directors to translate the auditors' Chinese names as there are no official English names.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganization as more fully explained in the paragraph headed "Reorganization" in the section headed "History and Development" to the Prospectus, the Company became the holding company of the companies now comprising the Group subsequent to the end of the Relevant Periods on 18 September 2013. The companies now comprising the Group were under the common control of the controlling shareholders before and after the Reorganization. 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 Reorganization had been completed at the beginning of the Relevant Periods.

The combined income statements, statements of comprehensive income, statements of changes in equity and 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 shareholders, where this is a shorter period. The combined statements of financial position of the Group as at 31 December 2010, 2011 and 2012 and 31 May 2013 have been prepared to present the assets and liabilities of the subsidiaries using the existing book values from the controlling shareholders' perspective. No adjustments are made to reflect fair values, or recognize any new assets or liabilities as a result of the Reorganization.

Equity interests in subsidiaries held by parties other than the controlling shareholders, and changes therein, prior to the Reorganization 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 IFRSs, which comprise all standards and interpretations approved by the IASB. All IFRSs effective for the accounting period commencing from 1 January 2013, have been 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. The Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

3. ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the Financial Information

IFRS 9	*Financial Instruments*[2]
IFRS 10, IFRS 12 and IAS 27 (Revised) Amendments	Amendments to IFRS 10, IFRS 12 and IAS 27 (Revised) — *Investment Entities*[1]
IAS 32 Amendments	Amendments to IAS 32 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities*[1]
IAS 36 Amendments	Amendments to IAS 36 *Impairment of Assets — Recoverable Amount Disclosures for Non-Financial Assets*[1]
IAS 39 Amendments	Amendments to IAS 39 *Financial instrument: Recognition and measurement: Continuation of Hedge — Novation of Derivatives and Accounting Levies*[1]
IFRIC 21	*Levies*[1]

1 Effective for annual periods beginning on or after 1 January 2014

2 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 IFRSs upon initial application. So far, the Group considers that these new and revised IFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of combination

This Financial Information incorporates the financial statements of the Company and its subsidiaries for the Relevant Periods. As explained in note 2.1 above, the acquisition of subsidiaries under common control has been accounted for using the merger method of accounting.

The merger method of 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 recognized 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 combined income statements include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under common control, where this is a shorter period, regardless of the date of the common control combination.

All income, expenses and unrealized gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on combination.

Non-controlling interest represent the equity in a subsidiary not attributable, directly or indirectly, to a parent. Total comprehensive income is attributed to the non-controlling interest even if that results in a deficit balance.

Subsidiaries

A subsidiary is an entity (including a structured entity) controlled by the Company and/or its other subsidiaries.

The Group controls an investee when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., the existing rights that give the Group the current ability to direct the relevant activities of the investee).

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control described above.

The results of the subsidiary are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in the subsidiary that are not classified as held for sale in accordance with IFRS 5 are stated at cost less any impairment losses.

Impairment of non-financial assets

When an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and deferred tax assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the combined income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of depreciation/amortization) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to the combined income statement 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 Group 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 Group;

ii) has significant influence over the Group; or

iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

i) the entity and the Group are members of the same group;

ii) one entity is an associate or joint venture of the other entity;

iii) the entity and the Group 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 Group or an entity related to the Group;

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, other than construction in progress, 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 the combined income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized 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 recognized such parts as individual assets with specific useful lives and depreciates them accordingly.

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. The estimated useful lives of property, plant and equipment are as follows:

Buildings	20 years
Leasehold improvements	The shorter of the lease terms and their useful lives
Plant and machinery	5-10 years
Office equipment	5 years
Motor vehicles	5 years

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.

An item of property, plant and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in the combined income statement in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings, plant and machinery under construction or installation and testing which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction or installation and testing and capitalized borrowing costs on related borrowed funds during the period of construction or installation and testing. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be finite. Intangible assets with finite lives are subsequently amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Software copyrights

Purchased software copyrights are stated at cost less any impairment losses and are amortized on the straight-line basis over their estimated useful lives of five to ten years.

Leases

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 lessee, rentals payable under operating leases, net of any incentives received from the lessor are charged to the combined income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognized on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 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 recognized 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 recognized 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, pledged deposits, trade and other receivables, amount due from a director and amounts due from related parties.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the income statement. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognized in accordance with the policies set out for "Revenue recognition" below.

Financial assets designed upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria under IAS 39 are satisfied.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify them. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation, as these instruments cannot be reclassified after initial recognition.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in the income statement. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Loans and receivables

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 amortized cost using the effective interest rate method less any allowance for impairment. Amortized 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 amortization is included in other income and gains in the combined income statement. The loss arising from impairment is recognized in the combined income statement in finance costs for loans and in other expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intend to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealized gains or losses recognized as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognized, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reverse to the income statement in other income, or until the investment is determined to be impaired, at which time the cumulative gain or loss is recognized in the income statement in other expenses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognized in the income statement as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. Reclassification to the held-to-maturity category is permitted only when the Group has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortized cost and any previous gain or loss on that asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortized cost and the maturity amount is also amortized over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

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 derecognized 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 recognized to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognizes 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 reorganization 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 assets carried at amortized cost

For financial assets carried at amortized 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, recognized 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 impairment loss is recognized in the combined income statement. 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 realized 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 recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the combined income statement.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, 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 discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in the income statement, is removed from other comprehensive income and recognized in the income statement.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or "prolonged" requires judgment. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the income statement — is removed from other comprehensive income and recognized in the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement. Increases in their fair value after impairment are recognized directly in other comprehensive income.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, or loans and borrowings, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, other payables and accruals, dividend payables, interest-bearing loans and amounts due to related parties.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives also are classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in the income statement. The net fair value gain or loss recognized in the income statement does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria of IAS39 are satisfied.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in the combined income statement when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance costs in the combined income statement.

Derecognition of financial liabilities

A financial liability is derecognized 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 recognized in the combined income statement.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; and a discounted cash flow analysis.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on the first in, first out basis and, in the case of finished goods, comprises direct materials, direct labor and an appropriate proportion of overheads. Net realizable 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 statement 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.

For the purpose of the statement 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 recognized 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 recognized for a provision is the present value at the end of the 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 combined income statement.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized 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 the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability 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 taxable temporary differences associated with investments in subsidiaries 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 recognized for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognized 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 utilized, 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, deferred tax assets are only recognized 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 utilized.

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 utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized 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 realized 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.

Government grants

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the periods necessary to match the grant on a systematic basis over the periods that the costs, which it is intend to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statements over the expected useful life of the relevant asset by equal annual installments.

Revenue recognition

Revenue is recognized 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 sales 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) from the rendering of services, in the period in which the services are rendered; and

(c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Pension schemes

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute 20% to 22% of its payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of those assets. The capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalized. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign currencies

This Financial Information is presented in Renminbi ("RMB"), which is the Group's presentation currency. The functional currency of the Company is Hong Kong Dollar ("HKD"). 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 prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the income statement.

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.

The functional currencies of the Company and certain non-PRC subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their income statements are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognized in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in the income statement.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequent recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the Relevant Periods.

5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's Financial Information requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities, at the end of the reporting period. Uncertainty about these assumptions and estimates could result in outcomes that could require material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below.

(i) ***Impairment of non-financial assets (other than goodwill)***

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

(ii) ***Useful lives of property, plant and equipment***

The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations, or competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

(iii) ***Useful lives of intangible assets***

The Group determines the estimated useful lives and related amortization charges for its intangible assets. The useful lives of intangible assets are assessed to be finite. Intangible assets with finite lives are amortized over the useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of the reporting period.

(iv) ***Impairment of trade receivables***

The provision policy for impairment of trade receivables is based on ongoing evaluation of the collectability and ageing analysis of the outstanding receivables and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realization of those receivables, including the credit worthiness and the past collection history of each customer. If the financial conditions of the customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances might be required. Further details are contained in note 21 to the Financial Information.

(v) ***Deferred tax assets***

Deferred tax assets are recognized for all deductible temporary differences, and 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 utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profit together with future tax planning strategies.

(vi) ***Net realizable value of inventories***

Net realizable value of an inventory is the estimated selling price in the ordinary course of business, less estimated costs to be incurred to completion and disposal. These estimates are based on the current market condition and the historical experience of selling products of a similar nature which could change significantly as a result of changes in customer taste or competitor actions in response to severe consumer product industry cycles. Management reassesses these estimates at the end of the reporting period.

6. SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on their products and services and has two reportable operating segments as follows:

(a) Image printing products: manufacture and sales of color photographic paper, industrial NDT x-ray film, and trading of imaging equipment and other famous brand fast-moving consumer goods authorized by the related suppliers

(b) Medical imaging products: manufacture and sales of medical dry films, medical wet films and dental film

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that corporate and unallocated expenses are excluded from such measurement.

Segment assets exclude unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Year ended 31 December 2010

	Image printing products	Medical imaging products	Total
	RMB'000	*RMB'000*	*RMB'000*
Segment revenue:			
Sales to external customers	485,863	37,314	523,177
Segment results	25,373	1,818	27,191
Reconciliation:			
Corporate and other unallocated expenses			—
Profit before tax			27,191
Segment assets	281,999	57,297	339,296
Segment liabilities	155,196	48,843	204,039
Reconciliation:			
Corporate and other unallocated liabilities			1,965
Total liabilities			206,004
Other segment information:			
Depreciation of items of property, plant and equipment	8,215	717	8,932
Amortization of intangible assets	464	—	464
Impairment of trade receivables	413	—	413
Loss on disposal of items of property, plant and equipment	57	—	57
Operating lease rentals	5,822	773	6,595
Capital expenditure*	8,902	9,355	18,257

Year ended 31 December 2011

	Image printing products	Medical imaging products	Total
	RMB'000	*RMB'000*	*RMB'000*
Segment revenue:			
Sales to external customers	673,841	303,257	977,098
Segment results	30,133	39,170	69,303
Reconciliation:			
Corporate and other unallocated expenses			—
Profit before tax			69,303
Segment assets	336,009	138,022	474,031
Reconciliation:			
Corporate and other unallocated assets			1,830
Total assets			475,861
Segment liabilities	188,801	100,344	289,145
Reconciliation:			
Corporate and other unallocated liabilities			5,129
Total liabilities			294,274
Other segment information:			
Depreciation of items of property, plant and equipment	8,210	1,172	9,382
Amortization of prepaid land lease payments	103	—	103
Amortization of intangible assets	558	—	558
Impairment of trade receivables	848	—	848
Impairment of other receivables	167	—	167
Impairment of property, plant and equipment	286	—	286
Impairment of intangible assets	2,722	—	2,722
Gain on disposal of items of property, plant and equipment	(128)	—	(128)
Operating lease rentals	7,972	849	8,821
Capital expenditure*	23,716	898	24,614

Year ended 31 December 2012

	Image printing products	Medical imaging products	Total
	RMB'000	*RMB'000*	*RMB'000*
Segment revenue:			
Sales to external customers	661,110	294,708	955,818
Segment results	42,938	38,635	81,573
Reconciliation:			
Corporate and other unallocated expenses			—
Profit before tax			81,573
Segment assets	359,590	224,362	583,952
Reconciliation:			
Corporate and other unallocated assets			3,249
Total assets			587,201
Segment liabilities	234,875	202,195	437,070
Reconciliation:			
Corporate and other unallocated liabilities			1,028
Total liabilities			438,098
Other segment information:			
Depreciation of items of property, plant and equipment	7,969	1,347	9,316
Amortization of prepaid land lease payments	309	—	309
Amortization of intangible assets	464	11	475
Reversal of impairment trade receivables	(554)	—	(554)
Loss on disposal of items of property, plant and equipment	376	—	376
Operating lease rentals	7,355	916	8,271
Capital expenditure*	44,822	8,119	52,941

Five-month period ended 31 May 2013

	Imaging printing products RMB'000	Medical imaging products RMB'000	Total RMB'000
Segment revenue:			
Sales to external customers	239,927	174,097	414,024
Segment results	5,432	25,485	30,917
Reconciliation:			
Corporate and other unallocated expenses			—
Profit before tax			30,917
Segment assets	465,935	193,888	659,823
Reconciliation:			
Corporate and other unallocated assets			4,764
Total assets			664,587
Segment liabilities	339,193	152,932	492,125
Reconciliation:			
Corporate and other unallocated liabilities			3,239
Total liabilities			495,364
Other segment information:			
Depreciation of items of property, plant and equipment	3,993	859	4,852
Amortization of prepaid land lease payments	136	—	136
Amortization of intangible assets	207	7	214
Loss on disposal of items of property, plant and equipment	112	—	112
Operating lease rentals	2,822	452	3,274
Capital expenditure*	18,287	103	18,390

Five-month period ended 31 May 2012

	Imaging printing products	Medical imaging products	Total
	RMB'000	*RMB'000*	*RMB'000*
	(unaudited)	*(unaudited)*	*(unaudited)*
Segment revenue:			
Sales to external customers	272,672	99,122	371,794
Segment results	25,715	9,119	34,834
Reconciliation:			
Corporate and other unallocated expenses			—
Profit before tax			34,834
Other segment information:			
Depreciation of items of property, plant and equipment	3,131	538	3,669
Amortization of prepaid land lease payments	129	—	129
Amortization of intangible assets	186	1	187
Reversal of impairment trade receivables	(554)	—	(554)
Loss on disposal of items of property, plant and equipment	89	—	89
Operating lease rentals	3,168	304	3,472
Capital expenditure*	17,281	15	17,296

* Capital expenditure consists of additions to property, plant and equipment, prepaid land lease payments and intangible assets during the Relevant Periods.

Information about major customers

During the year ended 31 December 2010, the Group had no customer from whom the revenue raised individually accounted for more than 10% of the Group's total revenue during the year.

During the years ended 31 December 2011 and 2012, the Group had one customer from whom the revenue raised by medical imaging products of RMB302,877,000 and RMB300,097,000, respectively, individually accounted for more than 10% of the Group's total revenue during the respective years.

During the periods ended 31 May 2013 and 2012, the Group had one customer from whom the revenue raised by medical imaging products and printing imaging products of RMB207,733,000 and RMB98,489,000 (unaudited), respectively, individually accounted for more than 10% of the Group's total revenue during the respective periods. .

Geographical information

Since the Group solely operates business in the PRC and all of the non-current assets of the Group are located in the PRC, no geographical segment information is presented in accordance with IFRS 8 Operating Segments.

7. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold after allowances for returns, trade discounts and various types of government surcharges, where applicable.

An analysis of revenue, other income and gains is as follows:

	Year ended 31 December			Five-month period ended 31 May	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Revenue					
Sales of goods	523,177	977,098	955,818	371,794	414,024
Other income and gains					
Marketing services	6,916	6,636	—	—	—
Government grants (note (a))	1,040	3,072	2,721	154	1,395
Sales of scrap materials	41	707	1,591	368	648
Interest income	44	256	3,572	280	382
Others	143	163	584	506	19
	8,184	10,834	8,468	1,308	2,444

Note (a): The amount represents grants received from local PRC government authorities by the Group's subsidiaries in connection with certain financial support to local business enterprises for the purpose of encouraging business development. There are no unfulfilled conditions and other contingencies relating to these grants.

8. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December			Five-month period ended 31 May	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Finance costs					
Interest on interest-bearing loans wholly repayable within five years	2,063	3,006	2,649	784	1,547
Guarantee fee (note 26)	540	556	226	—	192
	2,603	3,562	2,875	784	1,739

9. PROFIT BEFORE TAX

The Group's profit for the Relevant Periods is arrived at after charging/(crediting):

	Year ended 31 December			Five-month period ended 31 May	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Cost of inventories sold	437,873	813,679	788,508	299,615	340,354
Employee benefit expense (including Directors' remuneration as set out in note 10)					
Wages and salaries	22,949	38,244	47,061	21,725	25,545
Pension scheme contributions	2,672	4,203	5,155	1,652	1,856
	25,621	42,447	52,216	23,377	27,401

	Year ended 31 December			Five-month period ended 31 May	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Research and development costs	282	1,008	1,165	634	666
Auditors' remuneration	125	1,459	2,167	549	909
Depreciation of items of property, plant and equipment (note 16)	8,932	9,382	9,316	3,669	4,852
Amortization of prepaid land lease payments (note 17)	—	103	309	129	136
Amortization of intangible assets (note 18)	464	558	475	187	214
Impairment of inventories (note 20)	—	—	—	—	848
Impairment of trade receivables (note 21)	413	848	—	—	—
Reversal of impairment trade receivables (note 21)	—	—	(554)	(554)	—
Impairment of other receivables	—	167	—	—	—
Impairment of property, plant and equipment (note 16)	—	286	—	—	—
Impairment of intangible assets (note 18)	—	2,722	—	—	—
Minimum lease payments under operating leases	6,595	8,821	8,271	3,472	3,274
Loss/(gain) on disposal of items of property, plant and equipment	57	(128)	376	89	112

10. DIRECTORS' REMUNERATION

Directors' remuneration during the Relevant Periods, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Year ended 31 December			Five-month period ended 31 May	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Fees	—	—	—	—	—
Salaries, allowances and benefits in kind	2,034	3,354	4,220	1,693	1,953
Discretionary bonuses	—	—	—	—	—
Pension scheme contributions	70	88	107	44	60
	2,104	3,442	4,327	1,737	2,013

The remuneration paid to each of the Executive Directors was as follows:

	Fees	**Salaries, allowances and benefits in kind**	**Discretionary bonuses**	**Pension scheme contributions**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2010					
James Hartono*	—	820	—	—	820
Wang Ying	—	277	—	16	293
Chan To Keung	—	673	—	—	673
Zhang Qi	—	60	—	13	73
Heng Yinmei	—	60	—	13	73
Wang Hong	—	144	—	28	172
	—	2,034	—	70	2,104

	Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Pension scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2011					
James Hartono*	—	1,305	—	—	1,305
Wang Ying	—	824	—	31	855
Chan To Keung	—	821	—	—	821
Zhang Qi	—	113	—	13	126
Heng Yinmei	—	105	—	13	118
Wang Hong	—	186	—	31	217
	—	3,354	—	88	3,442

	Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Pension scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2012					
James Hartono*	—	1,765	—	—	1,765
Wang Ying	—	612	—	34	646
Chan To Keung	—	870	—	—	870
Zhang Qi	—	382	—	19	401
Heng Yinmei	—	312	—	20	332
Wang Hong	—	279	—	34	313
	—	4,220	—	107	4,327

	Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Pension scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Five months ended 31 May 2013					
James Hartono*	—	790	—	—	790
Wang Ying	—	334	—	15	349
Chan To Keung	—	341	—	—	341
Zhang Qi	—	179	—	15	194
Heng Yinmei	—	159	—	15	174
Wang Hong	—	150	—	15	165
	—	1,953	—	60	2,013

	Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Pension scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*	*(unaudited)*
Five months ended 31 May 2012					
James Hartono*	—	736	—	—	736
Wang Ying	—	255	—	14	269
Chan To Keung	—	297	—	—	297
Zhang Qi	—	159	—	8	167
Heng Yinmei	—	130	—	8	138
Wang Hong	—	116	—	14	130
	—	1,693	—	44	1,737

There was no arrangement under which a Director waived or agreed to waive any remuneration during the Relevant Periods.

* James Hartono is a Director and the Chief Executive of the Company.

11. FIVE HIGHEST PAID EMPLOYEES

An analysis of the five highest paid employees within the Group during the Relevant Periods is as follows:

	Number of employees				
	Year ended 31 December			Five-month period ended 31 May	
	2010	**2011**	**2012**	**2012**	**2013**
				(unaudited)	
Directors	4	4	4	4	4
Non-Directors	1	1	1	1	1
	5	5	5	5	5

Details of Directors' remuneration are set out in note 10 above.

Details of the remuneration of the above non-Director, highest paid employees are as follows:

	Year ended 31 December			Five-month period ended 31 May	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Salaries, allowances and benefits in kind	410	463	458	191	216
Pension scheme contributions	—	—	—	—	—
	410	463	458	191	216

The number of non-Director, highest paid employees whose remuneration fell within the following band is as follows:

	Year ended 31 December			Five-month period ended 31 May	
	2010	**2011**	**2012**	**2012**	**2013**
				(unaudited)	
Nil to HK$1,000,000	1	1	1	1	1

During the Relevant Periods, no Directors or highest paid individuals waived or agreed to waive any emoluments and no emoluments were paid by the Group to the non-Director and highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office.

12. INCOME TAX EXPENSE

The Group is subject to income tax on an entity basis on profit arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Pursuant to the rules and regulations of the Cayman Islands and BVI, the Group is not subject to any income tax in the Cayman Islands and BVI.

Hong Kong profit tax is to be provided at the rate of 16.5% on the estimated assessable profit arising in Hong Kong. No provision for Hong Kong profit tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the Relevant Periods.

The provision for Mainland China current income tax is based on the statutory rate of 25% of the assessable profit of certain PRC subsidiaries of the Group as determined in accordance with the PRC Corporation Income Tax Law which was approved and became effective on 1 January 2008 (the "New Corporate Income Tax Law"), except for certain subsidiaries of the Group in Mainland China which are granted tax concession and are taxed at preferential rates.

In accordance with the relevant income tax laws and regulations of the PRC for manufacturing enterprises, Yestar Technology was exempted from corporate income tax ("CIT") for two years commencing from their first profit-making year and were entitled to a 50% reduction in the PRC corporate income tax for the subsequent three years from 1 January 2008 to 31 December 2010. Therefore, the applicable income tax rate of Yestar Technology was 12.5% from 1 January 2008 to 31 December 2010.

The major components of income tax expense are as follows:

	Year ended 31 December			Five-month period ended 31 May	
	2010	2011	2012	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Current tax					
Income tax in the PRC for the year/period	4,808	19,165	22,639	9,665	9,334
Deferred tax (note 19)	707	1,843	901	591	1,463
Total tax charge for the year/period	5,515	21,008	23,540	10,256	10,797

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdiction in which the Company and the subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

	Year ended 31 December			Five-month period ended 31 May	
	2010	2011	2012	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Profit before tax	27,191	69,303	81,573	34,834	30,917
Tax at the statutory tax rate	6,798	17,326	20,393	8,709	7,729
Tax concession for certain subsidiaries	(2,312)	—	—	—	—
Effect of tax concession on opening balance of deferred tax	(488)	—	—	—	—
Expenses not deductible for tax	311	262	123	293	328
Income not subject to tax	—	—	(258)	—	—
Adjustments to current tax of previous periods	—	—	—	—	250
Utilization of tax losses not provided for	(196)	—	(256)	—	—
Tax losses not recognized	—	256	—	305	279
Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries (note 19)	1,402	3,164	3,538	949	2,211
Tax charge at the Group's effective rate	5,515	21,008	23,540	10,256	10,797

13. DIVIDENDS

No dividend has been paid or declared by the Company since its date dates of incorporation.

The dividends declared by the Company's subsidiaries to its then shareholders during the Relevant Periods were as follows:

	Year ended 31 December			Five-month period ended 31 May	
	2010	2011	2012	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Declared special dividends	—	—	84,238	—	—

As part of the Reorganization, special dividends proposed by the Board of Directors of Yestar Technology and Yestar Medical to its then shareholders were approved on 3 November 2012 and 5 November 2012, respectively.

14. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganization.

15. RETIREMENT BENEFITS AND ACCOMMODATION BENEFITS

Retirement benefits

As stipulated by PRC regulations, subsidiaries in Mainland China participate in a defined contribution retirement scheme. All formal employees are entitled to an annual pension equal to a fixed proportion of the average basic salary amount of their last employment at their retirement date. Subsidiaries in Mainland China are required to make contributions to the local social security bureau at rates of 20% to 22% of the average basic salaries of the employees under the employment of subsidiaries in Mainland China to whom the defined contribution retirement plan is applicable. Subsidiaries in Mainland China have no obligations for the payment of pension benefits beyond the annual contributions to the local social security bureau as set out above.

Accommodation benefits

According to the relevant PRC rules and regulations, subsidiaries in Mainland China are each required to make contributions, which are in proportion to the salaries and wages of the employees, to an accommodation fund administered by the Public Accumulation Funds Administration Centre. There are no further obligations on the part of subsidiaries in Mainland China, except for contributions to the accommodation fund.

16. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings	Leasehold improvements	Plant and machinery	Office equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:							
At 1 January 2010	—	11,947	49,581	8,178	4,493	5,566	79,765
Additions	—	352	1,277	1,421	1,446	13,412	17,908
Transfers	—	3,587	14,662	—	—	(18,249)	—
Disposals	—	—	—	(1,073)	(89)	—	(1,162)
At 31 December 2010 and 1 January 2011	—	15,886	65,520	8,526	5,850	729	96,511
Additions	—	531	363	2,058	828	3,113	6,893
Transfers	—	—	1,273	—	—	(1,273)	—
Disposals	—	—	—	(810)	(474)	—	(1,284)
At 31 December 2011 and 1 January 2012	—	16,417	67,156	9,774	6,204	2,569	102,120
Additions	—	233	4,006	1,888	1,214	44,992	52,333
Transfer	14,532	2,442	7,075	—	—	(24,049)	—
Disposals	—	(279)	(112)	(1,526)	(294)	—	(2,211)
At 31 December 2012 and 1 January 2013	14,532	18,813	78,125	10,136	7,124	23,512	152,242
Additions	1,620	7	92	168	6,866	8,514	17,267
Transfers	5,590	—	8,389	71	—	(14,050)	—
Disposals	—	—	—	(13)	(790)	—	(803)
At 31 May 2013	21,742	18,820	86,606	10,362	13,200	17,976	168,706
Accumulated depreciation:							
At 1 January 2010	—	9,411	16,696	3,640	1,802	—	31,549
Charge for the year	—	1,212	5,535	1,177	1,008	—	8,932
Disposals	—	—	—	(439)	(50)	—	(489)
At 31 December 2010 and 1 January 2011	—	10,623	22,231	4,378	2,760	—	39,992
Charge for the year	—	1,315	5,959	1,179	929	—	9,382
Impairment for the year	—	—	286	—	—	—	286
Disposals	—	—	—	(424)	(363)	—	(787)
At 31 December 2011 and 1 January 2012	—	11,938	28,476	5,133	3,326	—	48,873
Charge for the year	121	860	6,012	1,548	775	—	9,316
Disposals	—	(279)	(76)	(1,372)	(108)	—	(1,835)

	Buildings	Leasehold improvements	Plant and machinery	Office equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2012 and 1 January 2013	121	12,519	34,412	5,309	3,993	—	56,354
Charge for the period	431	425	3,061	479	456	—	4,852
Disposals	—	—	—	(10)	(681)	—	(691)
At 31 May 2013	552	12,944	37,473	5,778	3,768	—	60,515
Net carrying amount:							
At 31 December 2010	—	5,263	43,289	4,148	3,090	729	56,519
At 31 December 2011	—	4,479	38,680	4,641	2,878	2,569	53,247
At 31 December 2012	14,411	6,294	43,713	4,827	3,131	23,512	95,888
At 31 May 2013	21,190	5,876	49,133	4,584	9,432	17,976	108,191

The net book values of plant and machinery pledged as security for interest-bearing loans granted to the Group are as follows:

	As at 31 December			As at 31 May
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Guarantee (note 26(ii))	38,118	32,738	—	—
	38,118	32,738	—	—

17. PREPAID LAND LEASE PAYMENTS

Group

	As at 31 December			As at 31 May
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount at 1 January	—	—	15,331	15,022
Additions	—	15,434	—	911
Recognized during the year/period (note 9)	—	(103)	(309)	(136)
Carrying amount at 31 December	—	15,331	15,022	15,797

The leasehold lands are situated in Mainland China and are held under a long term lease.

18. INTANGIBLE ASSETS

Group

	Computer software *RMB'000*
Cost:	
At 1 January 2010	4,648
Additions	349
At 31 December 2010 and 1 January 2011	4,997
Additions	2,287
At 31 December 2011 and 1 January 2012	7,284
Additions	608
Disposal	(25)
At 31 December 2012 and 1 January 2013	7,867
Additions	212
At 31 May 2013	8,079
Accumulated amortization and impairment:	
At 1 January 2010	998
Charge for the year (note 9)	464
At 31 December 2010 and 1 January 2011	1,462
Charge for the year (note 9)	558
Impairment for the year (note 9)	2,722
At 31 December 2011 and 1 January 2012	4,742
Charge for the year (note 9)	475
Disposal	(25)
At 31 December 2012 and 1 January 2013	5,192
Charge for the period (note 9)	214
At 31 May 2013	5,406
Net carrying amount:	
At 31 December 2010	3,535
At 31 December 2011	2,542
At 31 December 2012	2,675
At 31 May 2013	2,673

19. DEFERRED TAX

The movements in deferred tax assets during the Relevant Periods are as follows:

Deferred tax assets

Group

	Elimination of unrealized profit	**Accruals and provisions**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2010	911	379	1,290
Deferred tax (charged)/credited to the income statement during the year (note 12)	(107)	802	695
Gross deferred tax assets at 31 December 2010 and 1 January 2011	804	1,181	1,985
Deferred tax credited to the income statement during the year (note 12)	300	1,021	1,321
Gross deferred tax assets at 31 December 2011 and 1 January 2012	1,104	2,202	3,306
Deferred tax credited to the income statement during the year (note 12)	1,056	1,581	2,637
Gross deferred tax assets at 31 December 2012 and 1 January 2013	2,160	3,783	5,943
Deferred tax credited/(charged) to the income statement during the period (note 12)	1,187	(439)	748
At 31 May 2013	3,347	3,344	6,691

The Group has the following tax losses arising in Mainland China that will expire in five years for offsetting against future taxable profit:

	As at 31 December			**As at 31 May**
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Tax losses not recognized	—	1,023	—	1,114

Deferred tax assets have not been recognized in respect of these losses as it is not considered probable that taxable profit will be available against which the tax losses can be utilized.

Deferred tax liabilities

Group

	Undistributed profits of PRC subsidiaries *RMB'000*
At 1 January 2010	563
Deferred tax charged to the income statement during the year (note 12)	1,402
Gross deferred tax liabilities at 31 December 2010 and 1 January 2011	1,965
Deferred tax charged to the income statement during the year (note 12)	3,164
Gross deferred tax liabilities at 31 December 2011 and 1 January 2012	5,129
Deferred tax charged to the income statement during the year (note 12)	3,538
Transferred to tax payable during the year	(7,639)
Gross deferred tax liabilities at 31 December 2012 and 1 January 2013	1,028
Deferred tax charged to the income statement during the period (note 12)	2,211
At 31 May 2013	3,239

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding corporate income tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement became effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding corporate income 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 withholding rate is 10%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

20. INVENTORIES

Group

	As at 31 December			As at 31 May
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	53,625	54,675	72,209	81,305
Finished goods	89,468	78,152	105,559	148,250
	143,093	132,827	177,768	229,555
Less: Provision for inventories	—	—	—	(848)
	143,093	132,827	177,768	228,707

The carrying amounts of inventories pledged at floating charge as security for interest-bearing loans granted to the Group and for the outstanding trade and bills payables are as follows:

	As at 31 December			As at 31 May
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing loans (note 26(i))	17,063	—	—	—
Guarantee (note 26(ii))	26,651	27,554	—	—
Trade and bills payables (note 27)	45,943	67,984	69,684	111,694
	89,657	95,538	69,684	111,694

21. TRADE AND BILLS RECEIVABLES

Group

	As at 31 December			As at 31 May
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	14,308	40,271	96,229	112,287
Bills receivable	—	—	4,525	5,073
Impairment	(2,482)	(3,330)	—	—
	11,826	36,941	100,754	117,360

The Group grants different credit periods to customers. The Group generally requires a full prepayment before delivery for most customers of color photographic paper, films and other image printing products; for customers of large retail stores, a credit period was granted. The credit period of individual customers is considered on a case-by-case basis and set out in the sales contracts, as appropriate. The Group seeks to maintain strict control over its outstanding receivables and closely monitors them to minimize credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances.

Trade and bills receivables are unsecured and non-interest-bearing. The carrying amounts of trade and bills receivables approximate to their fair values.

An aged analysis of the trade receivables as at the end of each of the Relevant Periods, based on the invoice date and net of provisions, is as follows:

Group

	As at 31 December			As at 31 May
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 90 days	10,589	35,440	96,229	110,592
91 to 180 days	60	1,501	—	1,322
181 to 365 days	1,177	—	—	373
	11,826	36,941	96,229	112,287

The movements in the provision for impairment of trade receivables are as follows:

Group

	As at 31 December			As at 31 May
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January	2,069	2,482	3,330	—
Impairment losses recognized (note 9)	413	848	—	—
Amount written off as uncollectible	—	—	(2,776)	—
Impairment losses reversed (note 9)	—	—	(554)	—
At 31 December	2,482	3,330	—	—

The impaired trade receivables relate to individual customers that were in financial difficulties or were in default in payments and the receivables are not expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

An aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

Group

	As at 31 December			As at 31 May
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Neither past due nor impaired	10,589	35,440	96,229	111,830
Past due but not impaired:				
Less than 90 days	1,237	1,501	—	135
91 to 180 days	—	—	—	322
181 to 365 days	—	—	—	—
1 to 2 years	—	—	—	—
	11,826	36,941	96,229	112,287

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.

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 believe that no impairment allowance 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.

At 31 May 2013, the Group endorsed certain bills receivable accepted by banks in the PRC (the "Derecognized Bills"), to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB810,000 (31 December 2012: RMB3,188,000, 31 December 2011 and 2010: nil). The Derecognized Bills have a maturity from one to three months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognized Bills have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognized Bills. Accordingly, it has derecognized the full carrying amounts of the Derecognized Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognized Bills and the undiscounted cash flows to repurchase these Derecognized Bills equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognized Bills are not significant.

During the Relevant Periods, the Group has not recognized any gain or loss on the date of transfer of the Derecognized Bills. No gains or losses were recognized from the continuing involvement, both during the Relevant Periods or cumulatively.

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group

	As at 31 December			As at 31 May
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current portion:				
Prepayments	8,559	3,225	3,910	2,037
Value added tax	6,826	6,679	10,247	17,913
Deposits and other receivables	6,927	7,800	10,182	10,536
	22,312	17,704	24,339	30,486

The carrying amounts of other receivables approximate to their fair values.

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.

23. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

Group

	As at 31 December			As at 31 May
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank balances	68,537	59,809	75,285	50,096
Time deposits	—	86,796	87,611	87,688
	68,537	146,605	162,896	137,784
Less: pledged time deposits:				
Pledged for issuance of bank acceptance notes	—	(4,566)	(2,503)	(2,580)
Cash and cash equivalents	68,537	142,039	160,393	135,204
Denominated in RMB	67,666	145,657	162,118	137,006
Denominated in USD	868	945	778	778
Denominated in other currencies	3	3	—	—
	68,537	146,605	162,896	137,784

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between three months and one year depending on the immediate cash requirements of the Group, and earn interest at the respective short term deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents and pledged deposits approximate to their fair values.

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 authorized to conduct foreign exchange business.

24. AMOUNT DUE FROM A DIRECTOR

Group

	As at 31 December			As at 31 May
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amount due from a director (note (i))	2,617	6,486	1,916	1,672

(i) The loan to a Director, Mr. James Hartono who is also a shareholder of the Company, disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance, is as follows:

	As at 31 December			As at 31 May
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Maximum amount outstanding during the year/period	3,617	14,781	6,486	1,916

The loan was unsecured, interest-free and repayable on demand.

25. BALANCES WITH RELATED PARTIES

Group

		As at 31 December			As at 31 May
		2010	**2011**	**2012**	**2013**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from fellow subsidiaries					
Shanghai MG International Co., Ltd. ("Shanghai MG")	(i)	18,970	46,774	—	15,226
Capital Group Pte. Ltd.	(ii)	9,343	14,098	—	—
KANA (China) Biotechnology ("KANA")	(ii)	559	—	—	—
		28,872	60,872	—	15,226
Amount due to a related party					
Rico Hatono	(ii)	—	—	—	2,786
Feng San Pte. Ltd.	(ii,iv)	228	—	—	—
		228	—	—	2,786
Amounts due to fellow subsidiaries					
Capital Group Pte. Ltd.	(iii)	—	—	6,286	—
KANA (China) Biotechnology ("KANA").	(ii)	—	—	450	—
		—	—	6,736	—

Notes:

(i) The nature of the balances due from Shanghai MG were as follows:

	As at 31 December			As at 31 May
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade in nature	—	14,685	—	—
Non-trade in nature	18,970	32,089	—	15,226
	18,970	46,774	—	15,226

These balances were unsecured, interest-free and repayable on demand.

(ii) These balances were non-trade in nature, unsecured, interest-free and repayable on demand.

(iii) Balances due to Capital Group Pte. Ltd. represented the consideration of USD1,000,000 (equivalent to RMB6,286,000) for the acquisition of the equity interest in Yestar Shanghai by Yestar HK. The balances were settled in January 2013.

(iv) Feng San Pte. Ltd. is controlled by a close member of the Company's ultimate controlling shareholders' family.

The nature of the transactions with related parties and subsidiaries is set out in note 33.

The carrying amounts of the balances due from/to related parties and subsidiaries approximate to their fair values.

26. INTEREST-BEARING LOANS

Group

	As at 31 December			As at 31 May
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing loans				
Secured	37,000	46,600	20,000	20,000
Unsecured	—	—	25,000	45,000
	37,000	46,600	45,000	65,000
The interest-bearing loans bear interest at rates per annum in the range of	5.40% to 6.16%	5.40% to 7.22%	5.40% to 7.50%	5.40% to 7.50%
Analyzed into:				
Interest-bearing loans repayable:				
Within one year or on demand	20,000	46,600	25,000	45,000
In the second year	17,000	—	20,000	20,000
	37,000	46,600	45,000	65,000

The carrying amounts of the Group's current interest-bearing loans approximate to their fair values.

The Group's interest-bearing loans are secured by:

		As at 31 December			As at 31 May
		2010	**2011**	**2012**	**2013**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Pledge of assets:					
Inventories	(i)	10,000	—	—	—
Guaranteed by:					
An independent third party	(ii)	27,000	26,600	20,000	20,000
A shareholder	(iii)	—	20,000	—	—
		27,000	46,600	20,000	20,000
		37,000	46,600	20,000	20,000

Notes:

(i) The loans were secured by the Group's inventories, which had an aggregate carrying value of nil as at 31 May 2013, 31 December 2012 and 2011 (2010: RMB17,063,000), as set out in note 20.

(ii) The loans were guaranteed by Nanning Southern Financing Guarantee Co., Ltd. ("南寧南方融資性擔保有限公司" formerly known as "南寧南方擔保有限公司", the "Guarantor"), an independent third party of the Group.

Ms. Liao Changxiang, a senior management of the Group, has given personal counter-guarantees in favour of the Guarantor to secure such guarantees provided by the Guarantor in respect of the above interest-bearing loans. The counter-guarantees were released in May 2013.

Such guarantees were also counter-secured by the Group's inventories and plant and machinery as follows:

	As at 31 December			As at 31 May
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Inventories (note 20)	26,651	27,554	—	—
Plant and machinery (note 16)	38,118	32,738	—	—

The guarantee fee paid for the guarantee is set out in note 8.

(iii) The loans were guaranteed by a property of a shareholder, Mr. Rico Hartono.

27. TRADE AND BILLS PAYABLES

Group

	As at 31 December			As at 31 May
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	75,075	138,599	183,468	238,029
Bills payable	26,998	45,256	60,778	55,162
	102,073	183,855	244,246	293,191

An aged analysis of the outstanding trade payables as at the end of each of the Relevant Periods based on the invoice date is as follows:

	As at 31 December			As at 31 May
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 90 days	65,819	138,247	141,824	213,046
91 to 180 days	8,800	17	41,547	24,682
181 to 365 days	209	—	—	204
1 to 2 years	52	232	—	—
Over 2 years	195	103	97	97
	75,075	138,599	183,468	238,029

The trade payables are non-interest-bearing and are normally settled within 180 days. The carrying amounts of the trade payables approximate to their fair values.

The outstanding bills payable were issued to FUJIFILM (China) Investment Co., Ltd., a major supplier of the Group, for the purchase of raw materials. Pursuant to the purchase agreement, the outstanding bills payable and certain trade payables were secured by pledge of certain inventories as set out in note 20.

28. OTHER PAYABLES AND ACCRUALS

Group

	As at 31 December			As at 31 May
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current portion:				
Advances from customers	48,797	26,724	11,025	9,673
Payroll and welfare payable	1,045	1,112	3,940	2,237
Value added tax	3,706	9,598	170	16
Accrued expenses	3,680	1,865	1,028	2,072
Other payables	3,628	6,437	9,398	14,227
	60,856	45,736	25,561	28,225
Non-current portion:				
Other payables (note(a))	—	—	9,133	9,133

The carrying amounts of other payables and accruals approximate to their fair values.

Note(a): In January 2012, Yestar Imaging has received a certain amount of government grant on the land lease payment located at Guangxi Province, China. This government grant is conditional upon the payment of a certain amount of tax by Yestar Imaging within 18 months from the commencement of the operation. As at 31 May 2013, such government grant is included in other payables in the combined statements of financial position.

29. SHARE CAPITAL

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 1 February 2012. The authorized share capital of the Company was HKD380,000 divided into 3,800,000 shares of HKD0.1 each. On the same date, 1 subscriber's share was transferred to Ms. Jeane Hartono and each of Ms. Jeane Hartono, Mr. Rico Hartono, Mr. James Hartono and Ms. Chen Chen Irene Hartono subscribed for and were allotted with 509 shares, 200 shares, 200 shares and 90 shares, respectively, with total par value of HKD100.

30. RESERVES

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the combined statements of changes in equity of the Financial Information.

Contributed surplus

The contributed surplus represents the aggregate of the normal value of the paid-up capital of the subsidiaries of the Group prior to completion of the Reorganization.

Statutory reserve fund

In accordance with the relevant PRC regulations applicable to wholly-foreign-owned companies, certain entities within the Group are required to allocate certain portion (not less than 10%), as determined by their Boards of Directors, of their profit after tax in accordance with PRC GAAP to the statutory reserve fund (the "SRF") until such reserve reaches 50% of the registered capital.

The SRF is non-distributable other than in the event of liquidation and, subject to certain restrictions set out in the relevant PRC regulations, can be used to offset accumulated losses or be capitalized as issued capital.

In accordance with relevant regulations and the articles of association, a subsidiary registered in the PRC as a domestic company is required to appropriate 10% of its net profit (after offsetting accumulated losses from prior years) to the statutory surplus reserve. After the balance of such reserve reaches 50% of the entity's capital, any further appropriation is at the discretion of the company. The statutory surplus reserve can be utilized to offset accumulated losses or increase capital. However, the balance of the statutory surplus reserve must be maintained at a minimum of 25% of the capital after such usages.

Distributable reserves

For dividend purposes, the amounts which the PRC companies can legally distribute by way of a dividend are determined by reference to the distributable profit as reflected in their PRC statutory financial statements which are prepared in accordance with PRC GAAP. These profit differ from those that are reflected in this report which is prepared in accordance with IFRSs.

In accordance with the Company Law of the PRC, profit after tax of the PRC Companies can be distributed as dividends after the appropriation to the SRF as set out above.

31. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for office properties are negotiated for terms ranging from one to four years.

The Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

Group

	As at 31 December			As at 31 May
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within a year	6,382	5,572	3,588	4,109
In the second to fifth years, inclusive	2,276	1,120	1,117	4,004
	8,658	6,692	4,705	8,113

32. COMMITMENTS

In addition to the operating lease commitments detailed above, the Group had the following capital commitments at the end of each of the Relevant Periods:

	As at 31 December			As at 31 May
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted, but not provided for				
Plant and machinery	—	9,389	6,331	3,301
Prepaid land lease payments	—	—	859	—
	—	9,389	7,190	3,301

33. RELATED PARTY TRANSACTIONS

(a) The Group had the following transactions with related parties during the Relevant Periods:

		Year ended 31 December			Five-month period ended 31 May	
		2010	2011	2012	2012	2013
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Fellow subsidiaries:						
Sales of products						
Shanghai MG	(i)	254	11,693	—	—	—
KANA	(i)	—	2,254	—	—	—
		254	13,947	—	—	—
Purchase of products						
Shanghai MG	(i)	8,267	7,402	332	—	—
Purchase of equipment						
KANA	(i)	—	—	450	—	—
Shanghai MG	(i)	6,300	—	—	—	—
		6,300	—	450	—	—
Transfer of trade receivables arising from business reorganization						
Shanghai MG	(ii)	—	21,098	—	—	—
Loans provided to a fellow subsidiary						
Capital Group Pte. Ltd.	(iii)	5,220	6,549	—	—	—
Shanghai MG	(iii)	—	—	—	—	23,467
		5,220	6,549	—	—	23,467

		Year ended 31 December			Five-month period ended 31 May	
		2010	2011	2012	2012	2013
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Loans provided to a director						
James Hartono	(iii)	3,644	24,583	667	—	—
Loans received from a shareholder Rico Hartono	(iii)	—	—	—	—	6,286
Consulting fee Capital Group Pte. Ltd.	(iv)	—	—	—	—	467

Notes:

(i) The product prices and terms of the above transactions are mutually agreed by the respective parties.

(ii) In preparation for the Listing of the Company's shares on the Stock Exchange, Yestar Shanghai conducted a business reorganization pursuant to which it transferred its business for consumer products to Shanghai MG in December 2011. The reason for the business reorganization was to enable the Group to focus on developing its image-printing business and medical imaging business.

(iii) The loans provided to and received from related parties were unsecured, interest-free and repayable on demand.

(iv) According to the consulting agreement entered into between Capital Group Pte. Ltd. and the Group, the Group agreed to pay consulting fee to Capital Group Pte. Ltd. for rendering the consulting services provided to the Group.

(b) Other transactions with related parties:

The Company's shareholder, Mr. Rico Hartono, has provided a guarantee of interest-bearing loans amounting to RMB nil as at 31 May 2013 (31 December 2012: nil, 31 December 2011: RMB20,000,000, 31 December 2010: nil) with his own property. Details of the interest-bearing loans are set out in note 26 to the Financial Information.

(c) Outstanding balances with related parties:

Details of the Group's balances with its related parties at the end of each of the Relevant Periods together with maximum outstanding balances due from a Director during the Relevant Periods are disclosed in notes 24 and 25 to the Financial Information.

(d) Compensation of key management personnel of the Group:

	Year ended 31 December			Five-month period ended 31 May	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Basic salaries and other benefits	2,581	4,018	4,677	1,991	2,291
Pension scheme contributions	79	98	107	49	70
	2,660	4,116	4,784	2,040	2,361

34. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

Group

	As at 31 December			As at 31 May
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets — loans and receivables				
Trade and bills receivables	11,826	36,941	100,754	117,360
Financial assets included in prepayments, deposits and other receivables	6,181	7,368	10,165	10,411
Amount due from a director	2,617	6,486	1,916	1,672
Amounts due from related parties	28,872	60,872	—	15,226
Pledged deposits	—	4,566	2,503	2,580
Cash and cash equivalents	68,537	142,039	160,393	135,204
	118,033	258,272	275,731	282,453

Group

	As at 31 December			As at 31 May
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities — financial liabilities at amortised cost				
Trade and bills payables	102,073	183,855	244,246	293,191
Financial liabilities included in other payables and accruals	7,180	7,333	9,381	13,677
Dividend payable	—	—	83,972	83,972
Amounts due to related parties	228	—	6,736	2,786
Interest-bearing loans	37,000	46,600	45,000	65,000
	146,481	237,788	389,335	458,626

35. FAIR VALUE AND FAIR VALUE HIERARCHY

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of cash and cash equivalents, pledged deposits, trade and bills receivables, financial assets included in prepayments, deposits and other receivables, amount due from a director, amounts due from related parties, trade and bills payables, financial liabilities included in other payables and accruals, amounts due to related parties, approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair value of interest-bearing loans has been calculated by discounting the expected future cash flows using rates currently available for instruments on similar terms, credit risk and remaining maturities. The fair value of interest-bearing loans at the end of each of the Relevant Periods approximated to their corresponding carrying amounts.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs).

At the end of each of the Relevant Periods, neither the Group nor the Company had any financial asset or liability measured at fair value.

During the Relevant Periods, there were no transfer between Level 1 and Level 2 fair value measurements and no transfer into or out of Level 3 fair value measurements.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing loans, and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various financial assets and liabilities such as trade and bills receivables and trade and bills payables as well as other receivables and payables, which arise directly from its operations.

It is, and has been during the year, the Group's policy that no trading in financial instruments should be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group does not hold or issue derivative financial instruments either for hedging or for trading purposes. The board reviews and agrees policies for managing each of the risks which are summarized below:

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to its interest-bearing loans. The Group does not use derivative financial instruments to hedge its interest rate risk. Since the Company's interest-bearing loans all bear fixed interest, its exposure to risk of changes in market interest rates is low.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from purchases denominated in USD.

The following table demonstrates the sensitivity at the end of each of the Relevant Periods to a reasonably possible change in the USD exchange rate, with all other variables held constant, of the Group's profit before tax.

	Increase/ (decrease) in USD %	Increase/ (decrease) in profit before tax RMB'000
Year ended 31 December 2010		
If USD weakens against RMB	5	1,535
If USD strengthens against RMB	(5)	(1,535)
Year ended 31 December 2011		
If USD weakens against RMB	5	4,370
If USD strengthens against RMB	(5)	(4,370)
Year ended 31 December 2012		
If USD weakens against RMB	5	7,260
If USD strengthens against RMB	(5)	(7,260)
Five-month period ended 31 May 2013		
If USD weakens against RMB	5	5,177
If USD strengthens against RMB	(5)	(5,177)

Credit risk

The Group trades only with recognized and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis, therefore, the Group's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Concentrations of credit risk are managed by customer, by geographical region and by industry sector. At the end of the reporting period, the Group had certain concentrations of credit risk as 94% (31 December 2012: 98%, 2011:95%, 2010: nil) of the Group's trade receivables were due from the Group's largest customer within the medical imaging products and printing imaging products segment.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade and bills receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank and other borrowings. In addition, banking facilities have been put in place for contingency purposes.

The maturity profile of the Group's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, was as follows:

Group

31 December 2010	**On demand**	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**More than 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing loans	—	521	21,293	17,535	—	39,349
Trade and bills payables	28,202	73,871	—	—	—	102,073
Other payables and accruals	7,180	—	—	—	—	7,180
Amount due to a related party	228	—	—	—	—	228
	35,610	74,392	21,293	17,535	—	148,830

31 December 2011	**On demand**	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**More than 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing loans	—	20,456	26,918	—	—	47,374
Trade and bills payables	23,081	160,774	—	—	—	183,855
Other payables and accruals	7,333	—	—	—	—	7,333
	30,414	181,230	26,918	—	—	238,562

31 December 2012	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing loans	—	807	26,627	20,714	—	48,148
Trade and bills payables	41,644	202,602	—	—	—	244,246
Other payables and accruals	9,381	—	—	—	—	9,381
Dividend payable	83,972	—	—	—	—	83,972
Amounts due to related parties	6,736	—	—	—	—	6,736
	141,733	203,409	26,627	20,714	—	392,483

31 May 2013	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing loans	—	25,898	21,648	20,144	—	67,690
Trade and bills payables	24,983	268,208	—	—	—	293,191
Other payables and accruals	13,677	—	—	—	—	13,677
Dividend payable	83,972	—	—	—	—	83,972
Amount due to a related party	2,786	—	—	—	—	2,786
	125,418	294,106	21,648	20,144	—	461,316

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and a healthy capital ratio in order to support its business and maximize shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Group monitors capital using a gearing ratio, which is total debt divided by capital. The Group's total debt consists of interest-bearing loans. Capital represents total equity.

At the end of each of the Relevant Periods, the Group's strategy was to maintain the net borrowings to equity ratio at a healthy capital level in order to support its businesses. The principal strategies adopted by the Group include, without limitation, reviewing future cash flow requirements and the ability to meet debt repayment schedules when they fall due, maintaining a reasonable level of available banking facilities and adjusting investment plans and financing plans, if necessary, to ensure that the Group has a reasonable level of capital to support its business. The gearing ratios at the end of each of the Relevant Periods are as follows:

Group

	As at 31 December			As at 31 May
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing loans	37,000	46,600	45,000	65,000
Total equity	133,292	181,587	149,103	169,223
Gearing ratio	28%	26%	30%	38%

37. EVENTS AFTER THE REPORTING PERIOD

The following significant events took place subsequent to 31 May 2013 and up to the issue date of this Financial Information:

a) On 18 September 2013, the Reorganization as more fully explained in the paragraph headed "Reorganization" in the section headed "History and Development" to the Prospectus was completed and the Company became the holding company of all subsidiaries now comprising the Group.

b) Pursuant to a written resolution of all shareholders passed on 18 September 2013, the shareholders of the Company have conditionally approved a share option scheme. Up to the date of this report, no option has been granted or agreed to be granted under the aforesaid share option scheme.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group or any of its subsidiaries in respect of any period subsequent to 31 May 2013.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

This information set forth in this Appendix II 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 information only.

The 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 the prospectus.

A. PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS OF THE GROUP

For illustrative purposes only, the following statement of pro forma adjusted combined net tangible assets of the Group is prepared to show the effect on the audited combined net tangible assets of the Group as at 31 May 2013 as if the Global Offering had occurred on 31 May 2013 and is based on the combined net tangible assets attributable to the equity holders of the Company derived from the audited financial information of the Group as at 31 May 2013, as set out in Appendix I to this Prospectus and adjusted as described below.

The pro forma adjusted combined net tangible assets of the Group 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 Global Offering been completed as at 31 May 2013 or any future dates.

	Audited combined net tangible assets of our Group attributable to equity holders of our Company as at 31 May 2013	**Estimated net proceeds from the Global Offering**	**Pro forma adjusted combined net tangible assets**	**Pro forma adjusted combined net tangible assets per Share**	**Pro forma adjusted combined net tangible assets per Share**
	(Note 1)	*(Note 2)*		*(Note 3)*	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
Based on the minimum indicative Offer Price of HK$1.11 per Share	157,761	78,377	236,138	0.52	0.66
Based on the maximum indicative Offer Price of HK$1.55 per Share	157,761	116,199	273,960	0.61	0.76

Notes:

1. The audited combined net tangible assets of the Group attributable to equity holders of the Company as at 31 May 2013 was equal to the audited combined net tangible assets attributable to equity holders of the Company as at 31 May 2013 after deduction of the intangible assets as at 31 May 2013 set out in the accountants' report in Appendix I to this Prospectus.

2. The estimate net proceeds from the Global Offering are based on the maximum and minimum indicative Offer Price of HK$1.55 and HK$1.11, respectively, after deduction of the underwriting fees and other related expenses payable by the Company and take no account of any Shares which may be issued upon the exercise of the Over-allotment Option and the options that may be granted under the Share Option Scheme.

3. The pro forma adjusted combined net tangible assets per Share is arrived at after the adjustments referred to above and on the basis of 450,000,000 Shares (including the Shares in issue as of the date of this Prospectus and those Shares to be issued pursuant to the Global Offering) in issue and that the Over-allotment Option and the options that may be granted under the Share Option Scheme are not exercised.

B. COMFORT LETTER ON PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from our reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, prepared for the purposes of incorporation in this Prospectus, in respect of the pro forma financial information of the Group.

EY 安永

22/F CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

27 September 2013

The Directors
Yestar International Holdings Company Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of pro forma financial information of Yestar International Holdings Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the pro forma combined net tangible assets as at 31 May 2013, and related notes as set out on pages II-1 and II-2 of the Prospectus issued by the Company (the "Pro Forma Financial Information"). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in notes 1 to 3.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the global offering of shares of the Company on the Group's financial position as at 31 May 2013 as if the transaction had taken place at 31 May 2013. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the period ended 31 May 2013, on which an accountant's report has been published.

Directors' responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Reporting Accountant's responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information, in accordance with paragraph 4.29 of the Listing Rules and with reference to AG7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars issued by HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the global offering of shares of the Company on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the 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

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of our Company and of certain aspects of Cayman company law.

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 1 February 2012 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Companies Law"). The Memorandum of Association (the "Memorandum") and the Articles of Association (the "Articles") comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, inter alia, that the liability of members of our Company is limited to the amount, if any, for the time being unpaid on the Shares, respectively held by them and that the objects for which our Company is established are unrestricted (including acting as an investment company), and that our Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that our Company is an exempted company that our Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of our Company carried on outside the Cayman Islands.

(b) Our Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 18 September 2013. The following is a summary of certain provisions of the Articles:

(a) Directors

(i) *Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as our Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of our Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of our Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in our 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 our 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 our Company or any subsidiary***

There are no specific provisions in the Articles relating to the disposal of the assets of our Company or any of its subsidiaries. Our Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by our Company and which are not required by the Articles or the Companies Law to be exercised or done by our Company in general meeting.

(iii) ***Compensation or payments for loss of office***

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by our Company in general meeting.

(iv) ***Loans and provision of security for loans to Directors***

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) ***Disclosure of interests in contracts with our Company or any of its subsidiaries***

A Director may hold any other office or place of profit with our Company (except that of the auditor of our Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by our Company or any other company in which our Company may be interested, and shall not be liable to account to our Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by our Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favor of any resolution appointing our Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to our Directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with our 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 our Company or the members for any remuneration, profit or other benefits realized 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 our 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 our 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 our 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 our Company or any other company which our 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 our Company by virtue only of his/their interest in shares or debentures or other securities of our 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 our 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.

(vi) ***Remuneration***

The ordinary remuneration of our Directors shall from time to time be determined by our Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst our 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. Our Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of our 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 our Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of our Company or companies with which it is associated in business) in establishing and making contributions out of our 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 our Company or any of its subsidiaries) and ex-employees of our Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) ***Retirement, appointment and removal***

At each annual general meeting, one third of our Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Our Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

Our Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of our Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in our Company by way of qualification.

A Director may be removed by an ordinary resolution of our 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 our Company) and may by ordinary resolution appoint another in his place. Unless otherwise determined by our Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated:

(aa) if he resigns his office by notice in writing delivered to our Company at the registered office of our Company for the time being or tendered at a meeting of the Board;

(bb) becomes of unsound mind or dies;

(cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) if he is prohibited from being a director by law;

(ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with our Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) ***Borrowing powers***

The board may exercise all the powers of our 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 our Company and, subject to the Companies Law, to issue debentures, bonds and other securities of our Company, whether outright or as collateral security for any debt, liability or obligation of our Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of our Company.

(ix) ***Proceedings of the Board***

The board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) ***Register of Directors and Officers***

The Companies Law and the Articles provide that our Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(b) **Alterations to constitutional documents**

The Articles may be rescinded, altered or amended by our Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of our Company.

(c) **Alteration of capital**

Our Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

(i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;

(ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto, respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as our Company in general meeting or as the directors may determine;

(iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as our Company has power to attach to unissued or new shares; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

Our Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) **Variation of rights of existing shares or classes of shares**

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) **Special resolution-majority required**

Pursuant to the Articles, a special resolution of our 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 authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that if permitted by the Designated Stock Exchange (as defined in the Articles), except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which notice of less than twenty-one (21) clear days and less than ten (10) clear business days has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of our Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) **Voting rights**

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorized 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 recognized clearing house (or its nominee(s)) is a member of our Company it may authorize such person or persons as it thinks fit to act as its representative(s) at any meeting of our Company or at any meeting of any class of members of our Company provided that, if more than one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized pursuant to this provision shall be deemed to have been duly authorized without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognized clearing house (or its nominee(s)) as if such person was the registered holder of the shares of our Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where our Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of our Company or restricted to voting only for or only against any particular resolution of our 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 our Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) **Accounts and audit**

The board shall cause true accounts to be kept of the sums of money received and expended by our Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of our Company and of all other matters required by the Companies Law or necessary to give a true and fair view of our Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of our Company except as conferred by law or authorized by the board or our Company in general meeting. However, an exempted company shall make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before our Company at its general meeting, together with a printed copy of our Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of our Company under the provisions the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), our Company may send to such persons summarized financial statements derived from our Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on our Company, demand that our Company sends to him, in addition to summarized financial statements, a complete printed copy of our Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by our Company in general meeting or in such manner as the members may determine.

The financial statements of our Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) **Notices of meetings and business to be conducted thereat**

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by notice of at least twenty-one (21) clear days and not less than ten (10) clear business days. All other extraordinary general meetings shall be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of our Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from our Company, and also to the auditors for the time being of our Company.

Notwithstanding that a meeting of our Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

(i) in the case of a meeting called as an annual general meeting, by all members of our Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent (95%) in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers;

(ee) the fixing of the remuneration of the directors and of the auditors;

(ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of our Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and

(gg) the granting of any mandate or authority to the directors to repurchase securities of our Company.

(j) **Transfer of shares**

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which our Company has a lien.

The board may decline to recognize any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as our Directors may from time to time require is paid to our 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 any newspapers or by any other means in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) **Power for our Company to purchase its own shares**

Our Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of our Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) **Power for any subsidiary of our Company to own shares in our Company and financial assistance to purchase shares of our Company**

There are no provisions in the Articles relating to ownership of shares in our Company by a subsidiary.

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, our Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in our Company.

(m) **Dividends and other methods of distribution**

Subject to the Companies Law, our Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of our Company, realized or unrealized, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorized for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. Our Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to our Company on account of calls or otherwise.

Whenever the board or our Company in general meeting has resolved that a dividend be paid or declared on the share capital of our 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. Our Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of our Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of our Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to our Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or our 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 our Company until claimed and our 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 our Company.

No dividend or other monies payable by our Company on or in respect of any share shall bear interest against our Company.

(n) **Proxies**

Any member of our Company entitled to attend and vote at a meeting of our 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 our Company or at a class meeting. A proxy need not be a member of our Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

(o) **Call on shares and forfeiture of shares**

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them, respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or installment 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 our 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 our Company all monies which, at the date of forfeiture, were payable by him to our Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(p) **Inspection of register of members**

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) **Quorum for meetings and separate class meetings**

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorized representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of our Company or at any relevant general meeting of any class of members of our Company.

(r) **Rights of the minorities in relation to fraud or oppression**

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of our Company under Cayman law, as summarized in paragraph 3(f) of this Appendix.

(s) **Procedures on liquidation**

A resolution that our Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if our Company shall be wound up and the assets available for distribution amongst the members of our Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them, respectively and (ii) if our Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them, respectively.

If our Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of our Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) **Untraceable members**

Pursuant to the Articles, our Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, our Company has not during that time received any indication of the existence of the member; and (iii) our Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to our Company and upon receipt by our Company of such net proceeds, it shall become indebted to the former member of our Company for an amount equal to such net proceeds.

(u) **Subscription rights reserve**

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by our Company and our Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

Our Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) **Operations**

As an exempted company, our Company's operations must be conducted mainly outside the Cayman Islands. Our Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorized share capital.

(b) **Share capital**

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) **Financial assistance to purchase shares of a company or its holding company**

Subject to all applicable laws, our Company may give financial assistance to Directors and employees of our Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in our Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, our Company may give financial assistance to a trustee for the acquisition of Shares in our Company or shares in any such subsidiary or holding company to be held for the benefit of employees of our Company, its subsidiaries, any holding company of our Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) **Purchase of shares and warrants by a company and its subsidiaries**

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorize the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorized by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company shall be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company shall not be treated as a member for any purpose and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share shall not be voted, directly or indirectly, at any meeting of the company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law. Further, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) **Dividends and distributions**

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) **Protection of minorities**

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorizing civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) **Management**

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) **Accounting and auditing requirements**

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) **Exchange control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) **Taxation**

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, our Company has obtained an undertaking from the Governor-in-Cabinet:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to our Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of our Company.

The undertaking for our Company is for a period of twenty years from 28 February 2012.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to our Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

(k) **Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) **Loans to directors**

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) **Inspection of corporate records**

Members of our Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of our Company. They will, however, have such rights as may be set out in our Company's Articles.

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register shall be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

(n) **Winding up**

A company may be wound up compulsorily by order of the Court voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorized by the company's articles of association and published in the Gazette in the Cayman Islands.

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) **Compulsory acquisition**

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) **Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman (Cayman) Limited, our Company's special legal counsel on Cayman Islands law, have sent to our Company a letter of advice summarizing certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix V to this Prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

I. FURTHER INFORMATION ABOUT OUR COMPANY

1. Incorporation of our Company

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 1 February 2012. The registered office of our Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. We have established a place of business in Hong Kong at Flat/Rm 2403, Tung Wai Commercial Building, 109-111 Gloucester Road, Wan Chai, Hong Kong and have been registered as a non-Hong Kong company in Hong Kong under Part XI of the Companies Ordinance since 8 May 2012. In connection with such registration, Mr. Koo Cheuk On, Timmie, of Unit 2403, Tung Wai Commercial Building, 109-111 Gloucester Road, Wan Chai, Hong Kong has been appointed as the authorized representative of our Company for the acceptance of service of process and notices on our behalf in Hong Kong.

As our Company is incorporated in the Cayman Islands, it operates subject to the Companies Law and to its constitution comprising the Memorandum and the Articles. A summary of various provisions of our Company's constitution and certain relevant aspects of the Companies Law is set out in Appendix III to this Prospectus.

2. Changes in the share capital of our Company

As at the date of incorporation of our Company, our authorized share capital was HK$380,000.0 divided into 3,800,000 Shares of HK$0.1 each.

On 1 February 2012, 1 subscriber's Share was transferred to Ms. Jeane Hartono. On the same day, 509 Shares, 200 Shares, 200 Shares and 90 Shares, all credited as fully paid, were allotted and issued to Ms. Jeane Hartono, Mr. James Hartono, Mr. Rico Hartono and Ms. Chen Chen Irene Hartono, respectively.

On 18 September 2013, the authorized share capital of our Company was increased from HK$380,000.0 to HK$100,000,000.0 by the creation of an additional 996,200,000 Shares.

On 18 September 2013, our Company allotted and issued a total of 337,499,000 Shares to the Yestar BVI Shareholders in consideration of the Yestar BVI Shareholders transferring in aggregate of 10,172 shares of no par value of Yestar BVI (representing the entire issued shares of Yestar BVI) to our Company:

Name	Number of Shares
Ms. Jeane Hartono	169,221,990
Mr. James Hartono	66,352,300
Mr. Rico Hartono	66,352,300
Ms. Chen Chen Irene Hartono	29,868,660
Forever Nice	5,703,750

Assuming that the Global Offering becomes unconditional and the issue of the Offer Shares mentioned herein are made, but taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option, the authorized share capital of our Company will be HK$100,000,000.0 divided into 1,000,000,000 Shares and the issued share capital of our Company will be HK$45,000,000.0 divided into 450,000,000 Shares fully paid or credited as fully paid, with 550,000,000 Shares remaining unissued. Other than pursuant to the exercise of any options which may be granted under the Share Option Scheme or pursuant to the exercise of the Over-allotment Option, there is no present intention to issue any part of the authorized but unissued share capital of our Company and, without prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed herein and under paragraph headed "Corporate reorganization" below, there has been no alteration in the share capital of our Company since its incorporation.

3. **Written resolutions of our Shareholders passed on 18 September 2013**

On 18 September 2013, written resolutions of all our Shareholders were passed pursuant to which, amongst other things:

(a) the authorized share capital of our Company was increased from HK$380,000.0 to HK$100,000,000.0 by the creation of an additional 996,200,000 Shares;

(b) our Directors were authorised to allot and issue a total of 337,499,000 Shares to the Yestar BVI Shareholders as consideration for the acquisition by our Company of the entire issued share capital of Yestar BVI from the Yestar BVI Shareholders;

(c) conditional on (A) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and the Shares to be issued as mentioned herein (including any Shares which may be issued pursuant to the Global Offering, or upon the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme) and (B) the obligations of the Underwriters under each of the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by Haitong Securities (for itself and on behalf of the Underwriters) and not being terminated in accordance with the respective terms of the Underwriting Agreements or otherwise, in each case on or before the date determined in accordance with the respective terms of the Underwriting Agreements, the Global Offering and the Over-allotment Option were approved and our Directors were authorized to allot and issue the Offer Shares and any Shares which may be required to be issued if the Over-allotment Option is exercised;

(d) conditional on (A) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and the Shares to be issued as mentioned herein (including any Shares which may be issued pursuant to the Global Offering, or upon the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme) and (B) the obligations of the Underwriters under each of the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by Haitong Securities (for itself and on behalf of the Underwriters) and not being terminated in accordance with the respective terms of the Underwriting Agreements or otherwise, in each case on or before the date determined in accordance with the respective terms of the Underwriting Agreements, the rules of the Share Option Scheme were approved and adopted and our Directors were authorized, at their absolute discretion, to grant options to subscribe for Shares under the Share Option Scheme and to allot, issue and deal with Shares issued pursuant to the exercise of subscription rights under any options which may be granted under the Share Option Scheme and to take all such steps as they consider necessary or desirable to implement the Share Option Scheme;

(e) a general unconditional mandate was given to our Directors to allot, issue and deal with (otherwise than pursuant to (i) a rights issue, (ii) an issue of Shares upon the exercise of the Over-allotment Option or upon the exercise of any subscription or conversion rights attaching to any bonds, warrants, debentures, notes or any securities which carry rights to subscribe for or are convertible into Shares, (iii) an issue of Shares upon the exercise of any options which may be granted under the Share Option Scheme or any other option scheme or similar arrangement for the time being adopted for the grant or issue to eligible participant of the Share Option Scheme or any other person of Shares or rights to acquire Shares, (iv) any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles, or (v) a specific authority granted by the Shareholders in general meeting) Shares with a total nominal value not exceeding 20.0% of the aggregate of the total nominal value of the share capital of our Company in issue immediately following completion of the Global Offering but excluding any Shares that may be issued upon exercise of the Over-allotment Option, and to make or grant offers, agreements and options (including but not limited to bonds, warrants, debentures, notes and any securities which carry rights to subscribe for or are convertible into Shares) which would or might require the exercise of such power to issue Shares either during or after the end of the Relevant Period (as defined below), such mandate to remain in effect during the period (the "**Relevant Period**") from the passing of the resolution granting such mandate, until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of our Company;

(ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws of the Cayman Islands to be held; or

(iii) the passing of an ordinary resolution of our Shareholders in general meeting revoking, varying or renewing such mandate;

(f) a general unconditional mandate was given to our Directors authorizing them to exercise all powers of our Company to repurchase Shares on the Stock Exchange or on any other stock exchange on which the Shares may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, such number of Shares with a total nominal value not exceeding 10.0% of the aggregate of the total nominal value of the share capital of our

Company in issue immediately following completion of the Global Offering, but excluding any Shares that may be issued upon exercise of the Over-allotment Option, such mandate to remain in effect from the passing of the resolution granting such mandate until whichever is the earliest of

(i) the conclusion of the next annual general meeting of our Company;

(ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or applicable laws of the Cayman Islands to be held; or

(iii) the passing of an ordinary resolution of our Shareholders in general meeting revoking, varying or renewing such mandate (the "**Share Repurchase Mandate**"); and

(g) the general unconditional mandate mentioned in paragraph (e) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed conditionally or unconditionally to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the Shares repurchased by our Company pursuant to the Share Repurchase Mandate, provided that such extended amount shall not exceed 10% of the aggregate of the total nominal value of the share capital of our Company in issue immediately following completion of the Global Offering, but excluding any Shares that may be issued upon exercise of the Over-allotment Option; and

(h) our Company approved and adopted the Memorandum and the Articles.

4. **Corporate reorganization**

The companies comprising our Group underwent a reorganization to rationalize our Group's structure in preparation for the Listing. The reorganization involved the following:-

(a) On 1 February 2012, our Company was incorporated under the laws of the Cayman Islands with an authorized share capital of HK$380,000.0 consisting of 3,800,000 Shares. On 1 February 2012, 1 subscriber's Share was transferred to Ms. Jeane Hartono and each of Ms. Jeane Hartono, Mr. James Hartono, Mr. Rico Hartono and Ms. Chen Chen Irene Hartono were allotted with 509 Shares, 200 Shares, 200 Shares and 90 Shares, respectively.

(b) On 1 February 2012, Yestar BVI was incorporated under the laws of the BVI and it is authorized to issue 50,000 shares with no par value. On the same day, each of Ms. Jeane Hartono, Mr. James Hartono, Mr. Rico Hartono and Ms. Chen Chen Irene Hartono subscribed for and were allotted and issued with 510 shares, 200 shares, 200 shares and 90 shares in Yestar BVI, respectively. On 12 April 2012, each of Ms. Jeane Hartono, Mr. James Hartono, Mr. Rico Hartono and Ms. Chen Chen Irene Hartono further subscribed for and were allotted and issued with 4,590 shares, 1,800 shares, 1,800 shares and 810 shares in Yestar BVI, respectively.

(c) On 29 February 2012, Yestar HK was incorporated in Hong Kong with an authorized share capital of HK$10,000.0 consisting of 10,000 shares of HK$1.0 each. On the same day, Yestar BVI subscribed for and was allotted and issued with 10,000 shares in the share capital of Yestar HK.

(d) On 8 October 2012, Capital Group and Yestar HK entered into an equity interest transfer agreement pursuant to which Capital Group transferred 100% equity interest in Yestar Shanghai to Yestar HK at the consideration of US$1,000,000.0. Such transfer was completed on 8 November 2012.

(e) On 4 November 2012, Feng San, Forever Nice and Yestar HK entered into an equity interest transfer agreement pursuant to which Feng San and Forever Nice transferred their respective 85.72% and 7.14% equity interest in Yestar Technology to Yestar HK at the consideration of US$10.0. Such transfer was completed on 10 December 2012.

(f) On 6 November 2012, Feng San and Yestar HK entered into an equity interest transfer agreement pursuant to which Feng San transferred 100% equity interest in Yestar Medical to Yestar HK at the consideration of US$10.0. Such transfer was completed on 10 December 2012.

(g) On 20 December 2012, Forever Nice subscribed for and was allotted and issued with 172 new shares in Yestar BVI for cash at the total subscription price of US$10.0, being the entire consideration received by Forever Nice from the transfer of 7.14% equity interest in Yestar Technology.

(h) On 18 September 2013, the authorized share capital of our Company was increased from HK$380,000.0 to HK$100,000,000.0 by the creation of an additional 996,200,000 Shares.

(i) On 18 September 2013, our Company acquired the entire issued shares in Yestar BVI from the Yestar BVI Shareholders in consideration of the allotment and issue by our Company of in aggregate 337,499,000 Shares to the Yestar BVI Shareholders credited as fully paid such that the shareholding structure of Yestar BVI is replicated at our Company level.

5. **Changes in the share capital of our subsidiaries**

Our subsidiaries are referred to in the accountants' report for our Company, the text of which is set out in Appendix I to this Prospectus.

The following alterations in the share capital of our subsidiaries have taken place within the two years preceding the date of this Prospectus:

(a) *Yestar BVI*

On 1 February 2012, Yestar BVI allotted and issued 510 shares, 200 shares, 200 shares and 90 shares, all credited as fully paid at the aggregate subscription price of US$1,000.0, to Ms. Jeane Hartono, Mr. James Hartono, Mr. Rico Hartono and Ms. Chen Chen Irene Hartono, respectively.

On 12 April 2012, each of Ms. Jeane Hartono, Mr. James Hartono, Mr. Rico Hartono and Ms. Chen Chen Irene Hartono further subscribed for and were allotted and issued with 4,590 shares, 1,800 shares, 1,800 shares and 810 shares in Yestar BVI, all credited as fully paid at the aggregate subscription price of US$90.0, respectively.

On 20 December 2012, Yestar BVI allotted and issued 172 shares to Forever Nice at the aggregate subscription price of US$10.0.

(b) *Yestar HK*

On 29 February 2012, Yestar HK allotted and issued for cash at par 10,000 shares of HK$1.0 each to Yestar BVI.

(c) *Yestar Imaging*

On February 2012, the registered capital of Yestar Imaging was increased from RMB8,000,000 to RMB18,000,000.

Save as aforesaid, there has been no alteration in the share capital of the subsidiaries of our Company within the two years preceding the date of this Prospectus.

6. **Repurchase by our Company of its own securities**

This paragraph includes the information required by the Stock Exchange to be included in this Prospectus concerning the repurchase by our Company of its own securities.

(a) ***Provisions of the Listing Rules***

The Listing Rules permit companies whose primary listing is on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarized below:

(i) *Shareholders' approval*

All repurchases of securities on the Stock Exchange by a company with its primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of general mandate or by specific approval in relation to specific transactions.

Note: Pursuant to the written resolution of our then Shareholders passed on 18 September 2013, the Share Repurchase Mandate was granted to our Directors authorizing the repurchase of Shares by our Company as described above in the paragraph headed "Written resolutions of our Shareholders passed on 18 September 2013".

(ii) *Source of funds*

Any repurchases must be financed out of funds legally available for the purpose in accordance with the Memorandum and the Articles and the applicable laws and regulations of the Cayman Islands.

(b) ***Exercise of the Share Repurchase Mandate***

Exercise in full of the Share Repurchase Mandate, on the basis of 450,000,000 Shares in issue immediately after completion of the Offering (but taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme), would accordingly result in up to 45,000,000 Shares being repurchased by our Company during the course of the period prior to the earliest of:

(i) the conclusion of the next annual general meeting of our Company;

(ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles and the applicable laws and regulations of the Cayman Islands to be held; or

(iii) the revocation, variation or renewal of the Share Repurchase Mandate by ordinary resolution of our Shareholders in general meeting.

(c) ***Reasons for repurchases***

Repurchases of Shares will only be made when our Directors believe that such a repurchase will benefit our Company and our Shareholders as a whole. Such repurchases may, depending on market conditions and funding arrangements at that time, lead to an enhancement of the net asset value of our Company and/or its earnings per Share.

(d) ***Funding of repurchases***

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Memorandum, the Articles and the applicable laws and regulations of the Cayman Islands. Pursuant to the Share Repurchase Mandate, repurchases will be made out of funds of our Company legally permitted to be utilized in this connection, including profit or share premium of our Company or out of a fresh issue of Shares made for the purpose of the repurchase or subject to the Companies Law and if so authorized by the Articles, out of capital. In the case of any premium payable on the repurchase, out of the profit of our Company or from sums standing to the credit of the share premium account of our Company or, subject to the Companies Law and if so authorized by the Articles, out of capital of our Company. Our Company may not repurchase securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(e) ***General***

No repurchase of Shares had been made by our Company since incorporation.

There might be a material adverse impact on the working capital or gearing position of our Company (as compared with the position disclosed in this Prospectus) in the event that the Share Repurchase Mandate is exercised in full. However, our Directors do not propose to exercise the Share Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or on its gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Share Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their respective associates (as defined in the Listing Rules), has any present intention, if the Share Repurchase Mandate is approved by our Shareholders, to sell any Shares to our Company.

No connected person (as defined in the Listing Rules) of our Company has notified our Company that he has a present intention to sell any Shares to our Company, or has undertaken not to do so, if the Share Repurchase Mandate is exercised.

If as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. As a result, a Shareholder, or a group of Shareholders acting in concert (within the meaning under the Takeovers Code), depending on the level of increase in the interest of our Shareholder(s), could obtain or consolidate control of our Company and become(s) obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of a repurchase of Shares made after the Listing.

If the Share Repurchase Mandate is fully exercised immediately following completion of the Global Offering (without taking into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any Shares which may fall to be allotted and issued pursuant to the exercise of the any options which may be granted under the Share Option Scheme), the total number of Shares which will be repurchased pursuant to the Share Repurchase Mandate will be 45,000,000 Shares (being 10.0% of the issued share capital of our Company based on the aforesaid assumptions). The percentage shareholding of our Controlling Shareholders will be increased to an aggregate of 81.93% of the issued share capital of our Company immediately following the full exercise of the Share Repurchase Mandate. In such event, the public float of our Company will drop below 25% and our Company will take necessary steps to maintain the public float. Our Directors will also take all steps necessary to comply with the Listing Rules.

Save as aforesaid, our Directors are not aware of any other consequence under the Takeovers Code as a result of a repurchase of Shares made pursuant to the Share Repurchase Mandate immediately after the Listing. Our Directors have no intention to repurchase any Shares to the extent that it will cause the public float of our Company to fall below 25%.

II. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP

1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business of our Group) have been entered into by members of our Group within the two years preceding the date of this Prospectus and are or may be material:

(a) a tripartite declaration (the "**Mandom Tripartite Declaration**") which takes effect from 1 October 2011 among 漫丹(中國)化妝品銷售有限公司 (Mandom (China) Cosmetics Co., Ltd.) ("**Mandom China**"), Yestar Shanghai and 上海米吉華國際貿易有限公司 (Shanghai MG International Co., Ltd.) ("**Shanghai MG**") pursuant to which, *inter alia*, (i) Yestar Shanghai would transfer its sales agency right in respect of brands of Mandom China to Shanghai MG and Shanghai MG would be responsible for the ordinary business of the sales outlets operated by Yestar Shanghai and (ii) Yestar Shanghai and Shanghai MG would work together to achieve certain sales targets as set out in the declaration;

(b) an agreement dated 10 January 2012 between Yestar Shanghai and Shanghai MG (the "**Mandom Assets and Liabilities Transfer Agreement**") pursuant to which, *inter alia*, (i) Yestar Shanghai agreed to sell and transfer and Shanghai MG agreed to purchase and accept the transfer of all of Yestar Shanghai's current assets such as account receivables, advanced payments and inventories and all its current liabilities such as account payables, advanced receipts and estimated liabilities accrued as of 31 December 2011 pursuant to the sales agent contract dated 20 April 2009 entered into between Mandom China and Yestar Shanghai (the "**Mandom Sales Agent Contract**") and (ii) Shanghai MG agreed to pay to Yestar Shanghai an aggregate amount of RMB20,700,227.9 as consideration for the current assets and current liabilities transferred pursuant to the Mandom Assets and Liabilities Transfer Agreement and the Pigeon Assets and Liabilities Transfer Agreement (as defined in paragraph (c) below);

(c) an agreement dated 10 January 2012 between Yestar Shanghai and Shanghai MG (the "**Pigeon Assets and Liabilities Transfer Agreement**") pursuant to which, *inter alia*, (i) Yestar Shanghai agreed to sell and transfer and Shanghai MG agreed to purchase and accept the transfer of all of Yestar Shanghai's current assets such as account receivables, advanced payments and inventories and all its current liabilities such as account payables, advanced receipts and estimated liabilities accrued as of 31 December 2011 pursuant to the sales agent contract dated 1 January 2011 entered into between 貝親嬰兒用品(上海)有限公司(Pigeon (Shanghai) Co., Ltd.) ("**Pigeon Shanghai**") and Yestar Shanghai (the "**Pigeon Sales Agent Contract**") and (ii) Shanghai MG agreed to pay to Yestar Shanghai an aggregate amount of RMB20,700,227.9 as consideration for the current assets and current liabilities transferred pursuant to the Pigeon Assets and Liabilities Transfer Agreement and the Mandom Assets and Liabilities Transfer Agreement;

(d) a tripartite agreement dated 11 January 2012 between Mandom China, Yestar Shanghai and Shanghai MG pursuant to which, *inter alia*, (i) Mandom China and Yestar Shanghai confirmed that the performance of the Mandom Sales Agent Contract has ceased on 31 December 2011; (ii) the parties agreed to the transfer of the rights and responsibilities of Yestar Shanghai under the Mandom Sales Agent Contract to Shanghai MG with effect from 1 January 2012 so that Shanghai MG will assume all the responsibilities originally borne by Yestar Shanghai under the Mandom Sales Agent Contract; (iii) the parties agreed that all responsibilities of Yestar Shanghai (if any) under the Mandom Tripartite Declaration had been fully performed; and (iv) the parties agreed to the transfer of the relevant current assets and current liabilities accrued as of 31 December 2011 as a result of the performance of the Mandom Sales Agent Contract from Yestar Shanghai to Shanghai MG pursuant to the Mandom Assets and Liabilities Transfer Agreement;

(e) a tripartite agreement dated 11 January 2012 between Pigeon Shanghai, Yestar Shanghai and Shanghai MG pursuant to which, *inter alia*, (i) Pigeon Shanghai and Yestar Shanghai confirmed that the performance of the Pigeon Sales Agent Contract has ceased on 31 December 2011; (ii) the parties agreed to the transfer of the rights and responsibilities of Yestar Shanghai under the Pigeon Sales Agent Contract to Shanghai MG with effect from 1 January 2012 so that Shanghai MG will be liable for all the responsibilities originally borne by Yestar Shanghai under the Pigeon Sales Agent Contract; and (iii) the parties agreed to the transfer of the relevant current assets and current liabilities accrued as of 31 December 2011 as a result of the performance of the Pigeon Sales Agent Contract from Yestar Shanghai to Shanghai MG pursuant to the Pigeon Assets and Liabilities Transfer Agreement;

(f) an agreement dated 10 March 2012 between Yestar Shanghai and Shanghai MG (the "**Cosmetics Assets and Liabilities Transfer Agreement**") pursuant to which, *inter alia*, (i) Yestar Shanghai agreed to sell and transfer and Shanghai MG agreed to purchase and accept the transfer of all of Yestar Shanghai's current assets such as account receivables, advanced payments and inventories and all its current liabilities such as account payables, advanced receipts and estimated liabilities accrued as of 31 December 2011 as a result of the performance of the sales agent certificate dated 1 June 2011 signed by Fujifilm China Investment and Yestar Shanghai (the "**Cosmetics Sales Agent Contract**"); and (ii) Shanghai MG agreed to pay to Yestar Shanghai an amount of RMB398,037.83 as consideration for the current assets and current liabilities transferred;

(g) a tripartite agreement dated 22 May 2012 between Fujifilm China Investment, Yestar Shanghai and Shanghai MG pursuant to which, *inter alia*, (i) Fujifilm China Investment and Yestar Shanghai confirmed the performance of the Cosmetics Sales Agent Contract has ceased on 31 December 2011; (ii) the parties agreed to the transfer of the rights and obligations of Yestar Shanghai under the Cosmetics Sales Agent Contract to Shanghai MG with effect from 1 January 2012, so that Shanghai MG assume all the duties and responsibilities originally borne by Yestar Shanghai under the Cosmetics Sales Agent Contract; and (iii) the parties agreed to the transfer of the relevant current assets and current liabilities accrued as of 31 December 2011 as a result of the performance of the Cosmetics Sales Agent Contract from Yestar Shanghai to Shanghai MG pursuant to the Cosmetics Assets and Liabilities Transfer Agreement;

(h) an equity interest transfer agreement dated 8 October 2012 between Capital Group and Yestar HK pursuant to which Capital Group agreed to transfer 100% equity interest in Yestar Shanghai to Yestar HK at the consideration of US$1,000,000;

(i) an equity interest transfer agreement dated 4 November 2012 between Feng San, Forever Nice and Yestar HK pursuant to which Feng San and Forever Nice transferred their respective 85.72% and 7.14% equity interest in Yestar Technology to Yestar HK at the consideration of US$10.0 and US$10.0, respectively;

(j) an equity interest transfer agreement dated 6 November 2012 between Feng San and Yestar HK pursuant to which Feng San agreed to transfer 100% equity interest in Yestar Medical to Yestar HK at the consideration of US$10.0;

(k) a subscription agreement dated 18 December 2012 between Forever Nice and Yestar BVI pursuant to which Forever Nice subscribed for 172 shares in Yestar BVI at the consideration of US$10.0;

(l) the Yestar Technology CLP Exclusive Distributorship Contract, being the exclusive distributorship contract between Yestar Technology and Fujifilm China Investment and signed by them on 10 June 2013 and 8 June 2013, respectively, pursuant to which Fujifilm China Investment appointed Yestar Technology as well as its related companies under common control (including but not limited to Yestar Imaging) as the sole and exclusive distributor of Fujifilm color photographic paper in the PRC from 10 June 2013 to such date as the Yestar Technology CLP MR Purchase Contract expires, and will be extended for such term as the Yestar Technology CLP MR Purchase Contract is extended;

(m) the Yestar Imaging CLP Exclusive Distributorship Contract, being the exclusive distributorship contract between Yestar Imaging and Fujifilm China Investment and signed by them on 10 June 2013 and 8 June 2013, respectively, pursuant to which Fujifilm China Investment appointed Yestar Imaging as well as its related companies under common control (including but not limited to Yestar Technology) as the sole and exclusive distributor of Fujifilm color photographic paper in the PRC from 10 June 2013 to such date as the Yestar Imaging CLP MR Purchase Contract expires, and will be extended for such term as the Yestar Imaging CLP MR Purchase Contract is extended;

(n) a deed for sale and purchase dated 18 September 2013 between (i) the Yestar BVI Shareholders as vendors, (ii) Ms. Jeane Hartono, Mr. Rico Hartono, Mr. James Hartono and Ms. Chen Chen Irene Hartono as warrantors and (iii) our Company as purchaser pursuant to which our Company agreed to acquire from the Yestar BVI Shareholders the entire issued shares in Yestar BVI in consideration of the allotment and issue by our Company of in aggregate 337,499,000 new Shares credited as fully paid to the Yestar BVI Shareholders as follows:

Name of Yestar BVI Shareholders	**No. of Shares**
Ms. Jeane Hartono	169,221,990
Mr. James Hartono	66,352,300
Mr. Rico Hartono	66,352,300
Ms. Chen Chen Irene Hartono	29,868,660
Forever Nice	5,703,750

(o) a deed of non-competition dated 18 September 2013 executed by our Controlling Shareholders in favor of our Company, particulars of which are set out in the section headed "Relationship with our Controlling Shareholders — Non-competition undertaking" in this Prospectus;

(p) a deed of indemnity dated 18 September 2013 entered into between our Controlling Shareholders as indemnifiers and our Company for itself and as trustee for our subsidiaries, pursuant to which our Controlling Shareholders have given certain indemnities in favor of our Group containing the indemnities referred to in the paragraph headed "Other information — Estate duty, tax, property and other indemnities" in this Appendix; and

(q) the Hong Kong Underwriting Agreement dated 26 September 2013, particulars of which are set out in the section headed "Underwriting" in this Prospectus.

2. **Intellectual property rights of our Group**

(a) As at the Latest Practicable Date, our Group had registered the following trademarks:

Registrant	Trademark	Class	Place of registration	Trademark No.	Effective period of registration
Yestar Shanghai	FYDi	40	PRC	4248572	28 January 2008 to 27 January 2018
Yestar Shanghai	Yes! Star	40	PRC	4248571	28 January 2008 to 27 January 2018
Yestar Shanghai	Yes! Star	40	Hong Kong	302191437	15 March 2012 to 14 March 2022
Yestar Shanghai	PrintStar	9	PRC	3578507	7 February 2008 to 6 February 2018
Yestar Shanghai	IMAGENATION	40	PRC	5623539	14 December 2009 to 13 December 2019
Yestar Shanghai	StarPrint	9	PRC	5623538	21 December 2009 to 20 December 2019
Yestar Shanghai	影美数码	40	PRC	6340699	28 March 2010 to 27 March 2020
Yestar Shanghai	iPrint	40	PRC	7415884	21 January 2011 to 20 January 2021
Yestar Shanghai	Yes!Star	40	PRC	8205049	28 July 2011 to 27 July 2021
Yestar Shanghai	Yes!Star	1	PRC	8870619	7 December 2011 to 6 December 2021
Yestar Shanghai	Yes!Star	10	PRC	8870682	7 December 2011 to 6 December 2021
Yestar Shanghai	Yes!Star	9	PRC	8870652	14 February 2012 to 13 February 2022
Yestar Shanghai	Yes!Star	1, 9, 40	Hong Kong	302191400	15 March 2012 to 14 March 2022

(b) As at the Latest Practicable Date, our Group had applied for registration of the following trademark:

Applicant	Trademark	Class	Place of Application	Application Number	Application Date
Yestar Shanghai	IMAGENATION	40	Hong Kong	302638152	14 June 2013

(c) As at the Latest Practicable Date, the Group had been authorized to use the following trademarks:

Trademark	Class	Place of registration	Trademark No.	Effective period of registration	Registrant
FUJIFILM (Note 1)	1	PRC	5550076	14 October 2009 to 13 October 2019	FUJIFILM Corporation
FUJI (Note 2)	1	PRC	507151	20 December 2009 to 19 December 2019	FUJIFILM Corporation
FUJI FILM (Note 2)	1	PRC	507153	20 December 2009 to 19 December 2019	FUJIFILM Corporation
FUJI (Note 2)	1	PRC	507154	20 December 2009 to 19 December 2019	FUJIFILM Corporation
富士 (Note 2)	1	PRC	1162622	28 March 2008 to 27 March 2018	FUJIFILM Corporation
FUJICOLOR (Note 2)	1	PRC	153150	15 January 2012 to 14 January 2022	FUJIFILM Corporation
富士彩色 (Note 2)	1	PRC	312789	30 April 2008 to 29 April 2018	FUJIFILM Corporation

Notes:

1. Pursuant to authorization letters signed by FUJIFILM China Investment, Yestar Shanghai was authorized to use the FUJIFILM logo on the signboard of its digital photofinishing stores in the PRC; to sublicense other Fujifilm photofinishing stores to use the FUJIFILM logo on the signboard and to use 富士 trademark on relevant promotional material in the PRC; and to use FUJIFILM logo on the signboard of digital imaging stores in the PRC.

2. Pursuant to the Converting Agreement, Yestar Technology was permitted to use this trademark on the packaging materials of goods produced in accordance with terms of the said converting agreement.

(d) As at the Latest Practicable Date, the Group had the following pending patent application:

Applicant	Patent	Place of Application	Application No.	Date of Application
Yestar Shanghai	用於齒科X射線膠片化學處理的顯定合一溶液	PRC	201210063247.9	12 March 2012

(e) As at the Latest Practicable Date, our Group had registered the following domain name:

Registrant	Domain Name	Expiry Date
Yestar Shanghai	yesstar.com.cn	23 July 2014
Yestar Shanghai	fydi.com.cn	23 July 2014
Yestar Shanghai	yesstarnet.com.cn	15 August 2014
Yestar Shanghai	yesstargx.com.cn	10 October 2014
Yestar Shanghai	yestarcorp.com	14 October 2014
Yestar Shanghai	imagenation.net.cn	6 February 2015

III. FURTHER INFORMATION ABOUT DIRECTORS

1. Disclosure of Interests

Immediately following completion of the Global Offering (taking no account of Shares which may be issued pursuant to the exercise of the Over-allotment Option), the interests or short positions of each of our Directors and our chief executives in the share capital, underlying shares and debentures of our Company and our associated corporations (within the meaning of Part XV of the SFO) which, once the Shares are listed, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register required to be kept therein or which, once the Shares are listed, will be required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules to be notified to our Company and the Stock Exchange are set out as follows :

Interest in Shares

Name of Director	Long/Short position	Type of Interests	Number of Shares	Approximate percentage of shareholding
Mr. James Hartono	Long position	Beneficial owner	66,352,500	14.75%

2. Interests in suppliers and customers of the Group

As at the Latest Practicable Date, so far as our Directors are aware, no Director or their respective associates or persons who are interested in 5.0% or more of the issued share capital of our Company had any interest in the five largest suppliers or customers of our Group.

3. Particulars of Directors' service agreements and letters of appointment

Each of our executive Directors had entered into a labor contract with a member of our Group, the principal terms of which are set out below:

Name	Member of the Group	Position	Monthly salary	Term
Mr. James Hartono	Yestar Shanghai	General manager	RMB102,032	2 September 2013 to 10 December 2015
Ms. Wang Ying	Yestar Shanghai	Vice general manager (position changed to chief executive officer of Yestar Shanghai in February 2013)	RMB47,000	7 June 2012 to 6 June 2015
Mr. Chan To Keung	Yestar Technology	General manager	RMB62,000	11 December 2012 to 10 December 2015
Ms. Zhang Qi	Yestar Shanghai	Vice general manager	RMB35,800	2 September 2013 to 10 December 2015
Ms. Wang Hong	Yestar Shanghai	Chief financial officer	RMB30,000	2 September 2013 to 10 December 2015
Ms. Heng Yinmei	Yestar Shanghai	Human resources director	RMB31,800	2 September 2013 to 10 December 2015

The relevant member of our Group may terminate the labor contract without notice if the relevant executive Director is in breach of rules or regulations prescribed by the relevant member of our Group, guilty of, among others, dishonesty or serious or persistent misconduct, or any criminal offence under applicable laws or otherwise acts to the prejudice of our Group.

Our Group further provides residential premises for Mr. James Hartono. Each of Mr. James Hartono and Ms. Wang Ying is also provided with a car and reimbursed of petrol and other relevant expenses incurred.

Each of the executive Directors is also entitled to a discretionary performance bonus which is determined with reference to the performance of our Group and the performance of the executive Director.

For the purpose of the Listing, the executive Directors have also entered into the following service agreements with the Company on 18 September 2013, particulars of which, except as indicated, are in all material respects the same and summarized below:

(i) Each service agreement is of an initial term of three years commencing from the Listing Date unless terminated in accordance with the terms of the agreement. Under the agreement, either party may terminate the agreement at any time by giving to the other not less than 3 months' written notice. Their appointments are subject to the provisions of retirement by rotation of Directors under the Articles. Our Company may also terminate the service agreement by summary notice if the relevant executive Director is guilty of, among others, dishonesty or grave misconduct or willful default or neglect in the discharge of his/her duties, becomes bankrupt or of unsound mind, is guilty of conduct tending to bring himself/herself or any companies in our Group into disrepute or is prohibited by law from fulfilling his/her duties under the service agreement.

(ii) For the first year from the Listing Date, the monthly salary for each of Mr. James Hartono, Ms. Wang Ying, Mr. Chan To Keung, Ms. Zhang Qi, Ms. Wang Hong and Ms. Heng Yinmei shall be RMB102,032, RMB65,000, RMB68,200, RMB35,800, RMB30,000 and RMB31,800, respectively (which salary shall be inclusive of the salary receivable by the relevant Director under the labour contract which he/she entered into with a member of our Group as set out above) and shall accrue on a day to day basis, such salary to be reviewed from time to time by the remuneration committee of our Board and our Board.

(iii) Our Group shall provide residential premises for Mr. James Hartono to be used by him as director's quarters during his term of appointment as an executive Director.

(iv) Each of Mr. James Hartono and Ms. Wang Ying will also be provided with a car and be reimbursed of petrol and car maintenance expenses incurred by him/her during the term of his/her appointment as an executive Director.

(v) Each of our executive Directors is entitled to a discretionary performance bonus as may be determined by our Board.

(vi) Each of our executive Directors shall abstain from voting and not be counted in the quorum in respect of any resolution of our Board or any committee of our Board regarding the amount of monthly salary or discretionary bonus payable to him/her.

Each of our independent non-executive Directors has executed a letter of appointment with our Company for a term of 3 years commencing from the Listing Date unless otherwise terminated in accordance with the terms of the letter of appointment. The annual director's fee for each of Dr. Hu Yiming, Mr. Karsono Tirtamarta (Kwee Yoe Chiang) and Mr. Sutikno Liky shall be RMB180,000, RMB180,000 and RMB180,000, respectively. Their appointments are subject to the provisions of retirement by rotation of Directors under the Articles.

4. **Remuneration of Directors**

(i) Approximately RMB4,327,000 was paid to our Directors by our Group as remuneration (including allowances and benefits in kind) in respect of FY2012.

(ii) Approximately RMB5,614,688 (excluding any discretionary performance bonus, if any) as remuneration is estimated to be paid to our Directors by our Group in respect of FY2013 pursuant to the present arrangement.

(iii) Save as disclosed in this Prospectus, no Director received any remuneration or benefits in kind from our Group for FY2012.

5. **Disclaimers**

Save as disclosed in this Prospectus, as at the Latest Practicable Date:

(a) none of our Directors nor any of the persons whose names are listed in the section headed "Other Information — Consent of experts" in this Appendix is interested in the promotion of our Company, or in any assets which have been within the 2 years immediately preceding the issue of this Prospectus, acquired or disposed of by or leased to, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(b) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this Prospectus which is significant in relation to the business of our Group;

(c) none of our Directors has entered into 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);

(d) no cash, securities or other benefit has been paid, allotted or given within the two years preceding the date of this document to any promoter of our Company nor is any such cash, securities or benefit intend to be paid, allotted or given on the basis of the Global Offering or related transaction as mentioned in this document; and

(e) so far as is known to our Directors, none of our Directors, their respective associates or our Shareholders who are interested in 5% or more of the issued Shares had any interests in the 5 largest suppliers of our Group.

IV. SHARE OPTION SCHEME

Summary of the terms of the Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme approved and adopted pursuant to a written resolution of our then Shareholders passed on 18 September 2013. The following summary does not form, nor is intend to be, part of the Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme.

In this section only

"Adoption Date"	means 18 September 2013 (the date on which the Share Option Scheme is conditionally adopted by resolution of our Shareholders);
"Board"	means the board of directors of the Company or a duly authorized committee thereof for the time being, including the independent non-executive directors of the Company;
"Grantee"	means any Participant (as defined in paragraph 2 below) who accepts an Offer in accordance with the terms of the Share Option Scheme or (where the context so permits) the legal personal representative(s) entitled to any such Option in consequence of the death of the original Grantee;
"Group"	means our Company, our subsidiaries, our associated companies and our jointly controlled entities from time to time;
"Option"	means a right granted to the Participant (as defined in paragraph 2 below) to subscribe for Shares pursuant to the terms of the Share Option Scheme and the term "Options" shall be construed accordingly;
"related company"	means a company, an entity or an enterprise (wherever incorporated and whether limited by shares or otherwise) in which (i) our Company is directly or indirectly interested in less than 20.0% of the issued share capital or equity interest of such company or entity or enterprise; or holds less than 20.0% of the voting rights of such company or entity or enterprises but is the largest shareholder or the holder of the largest voting rights of such company or entity or enterprise (as the case may be); or (ii) in the opinion of our Board, our Company is able to exercise significant influence to such company or entity or enterprise;
"relevant company"	means our Company, the relevant subsidiary, associated company, jointly controlled entity or related company of our Company, as the case may be;

1. ***Purpose of the Share Option Scheme***

The purpose of the Share Option Scheme is to provide our Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the Participants and for such other purposes as our Board may approve from time to time.

2. ***Who may join***

Our Board may, at its discretion, invite:

2.1 any director, chief executive or employee (whether full-time or part-time) of each member of our Group;

2.2 any discretionary objects of a discretionary trust established by any director, chief executive or employee (whether full time or part time) of each member of our Group;

2.3 a company beneficially owned by any director, chief executive or employee (whether full time or part time) of each member of our Group;

2.4 any consultant, professional and other adviser to each member of our Group (including their employees, partners, directors or executives or any persons, firms or companies proposed to be appointed for providing such services); and

2.5 any director, chief executive or employee (whether full-time or part-time) of Capital Group and its subsidiaries from time to time;

provided that the Board may at its absolute discretion determine whether or not one falls within the above categories (together, the "**Participants**" and each a "**Participant**"), to take up Options to subscribe for Shares at a price determined in accordance with paragraph 6 below.

In determining the basis of eligibility of each Participant, our Board would take into account such factors as our Board may at its discretion consider appropriate.

3. ***Conditions***

The Share Option Scheme shall take effect subject to the passing of an ordinary resolution approving the adoption of the Share Option Scheme by our Shareholders and authorizing our Directors to grant Options to subscribe for Shares thereunder and to allot and issue Shares pursuant to the exercise of any Options granted under the Share Option Scheme, and is conditional upon:

3.1 the Listing Committee of the Stock Exchange granting approval of the listing of, and permission to deal in, (i) the Shares in issue and to be issued as mentioned in this Prospectus and (ii) any Shares to be issued pursuant to the exercise of Options under the Share Option Scheme, whether the granting of the listing and permission is subject to conditions or not; and

3.2 the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Underwriters) and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise.

4. ***Duration and Administration***

4.1 Subject to the fulfillment of the conditions in paragraph 3 and the termination provisions in paragraph 16, the Share Option Scheme shall be valid and effective for a period of 10 years commencing on the Adoption Date, after which period no further Options will be granted but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any Options granted prior thereto or otherwise as may be required in accordance with the provision of the Share Option Scheme, and Options which are granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of issue.

4.2 The Share Option Scheme shall be subject to the administration of our Board whose decision as to all matters arising in relation to the Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final, conclusive and binding on all parties.

4.3 Subject to compliance with the requirements of the Listing Rules and the provisions of the Share Option Scheme, our Board shall have the right (i) to interpret and construe the provisions of the Share Option Scheme; (ii) to determine the persons who will be awarded Options under the Share Option Scheme and the number of Shares to be issued under the Option; (iii) to determine the price per Share at which a Grantee may subscribe for Shares on the exercise of an Option (the "**Subscription Price**"); (iv) to make such appropriate and equitable adjustments to the terms of Options granted under the Share Option Scheme as it deems necessary; and (v) to make such other decisions, determinations or regulations as it shall deem appropriate in the administration of the Share Option Scheme.

5. ***Grant of Option***

5.1 On and subject to the requirements of the Listing Rules and the terms of the Share Option Scheme, our Board shall be entitled at any time, within 10 years after the Adoption Date to make an offer of the grant of an Option (the "**Offer**") to any Participant as our Board may in its absolute discretion select, and subject to any such conditions as our Board may at its absolute discretion think fit, to subscribe for such number of Shares as our Board may (subject to paragraphs 9 and 10 below) determine at the Subscription Price.

5.2 No Offer shall be made after any inside information (as defined in the SFO) has come to the knowledge of our Company, until such inside information has been announced. In particular, during the period commencing 1 month immediately preceding the earlier of (i) the date of the meeting of our Board (as such date is first notified by our Company to the Stock Exchange under the Listing Rules) for approving our Company's results for any year, half year, quarterly or any other interim period (whether or not required under the Listing

Rules); and (ii) the deadline for our Company to announce its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, no Option may be granted.

5.3 An Offer shall be made to a Participant by letter in such form as our Board may from time to time determine (the "**Offer Letter**") specifying the number of Shares under the Option, the Subscription Price, the vesting schedule (if any), the conditions to vesting (if any), and the period to be determined by the Board at its absolute discretion and notified by the Board to each Grantee as being the period during which an Option may be exercised and in any event, such period shall not be longer than 10 years from the date upon which any particular Option is granted in accordance with the Share Option Scheme (the "**Option Period**") and requiring the Participant to undertake to hold the Option on the terms on which it is to be granted and to be bound by the provisions of the Share Option Scheme. An Offer must be made on a Business Day and shall remain open for acceptance by the Participant to whom an Offer is made for a period from the date of the Offer ("**Offer Date**") to such date as our Board may determine and specify in the Offer Letter (both days inclusive) (the "**Acceptance Period**"), provided that no such Offer shall be open for acceptance after the 10^{th} anniversary from the Adoption Date or after the Share Option Scheme has been terminated in accordance with the provisions hereof, whichever is earlier.

5.4 An Offer shall be deemed to have been accepted by the Grantee and the Option to which the Offer relates shall be deemed to have been granted and to have taken effect when the duplicate of the Offer Letter comprising acceptance of the Offer duly signed by the Grantee together with a remittance in favor of our Company of HK$1.0 by way of consideration for the granting thereof is received by our Company within the Acceptance Period, and the Option to which the Offer relates shall be deemed to have been granted on the Offer Date. Such remittance shall in no circumstances be refundable or be considered as part of the Subscription Price.

5.5 Any Offer may be accepted by a Grantee in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of such number of Shares as representing board lot(s) for dealing in Shares on the Stock Exchange or an integral multiple thereof and the number of Shares in respect of which the Offer is accepted is clearly stated in the duplicate of the Offer Letter received by our Company as mentioned in sub-paragraph 5.4. To the extent that the Offer is not accepted within the Acceptance Period and in the manner stipulated in sub-paragraph 5.4, it will be deemed to have been irrevocably declined by the Grantee and the Offer shall automatically lapse and becomes null and void.

5.6 Subject to the provisions of the Share Option Scheme and the Listing Rules, our Board may when making the Offer impose any conditions, restrictions or limitations in relation to the Option as it may at its absolute discretion think fit.

6. ***Subscription Price***

Subject to any adjustments made pursuant to paragraph 11, the Subscription Price in respect of each Share issued pursuant to the exercise of Options granted hereunder shall be a price solely determined by our Board and notified to a Participant and shall be at least the highest of:

(a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the Offer Date, which must be a Business Day;

(b) a price being the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 Business Days immediately preceding the Offer Date (provided that the new issue price shall be used as the closing price for any Business Day falling within the period before listing of the Shares where our Company has been listed for less than 5 Business Days as at the Offer Date); and

(c) the nominal value of a Share.

7. ***Exercise of Options***

7.1 An Option shall be personal to the Grantee and shall not be assignable or transferable. No Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interests (whether legal or beneficial) in favor of any third party over or in relation to any Option or enter into any agreement to do so. Where the Grantee is a company, any change of its controlling shareholder or any substantial change in its management (which is to be determined by our Board at its absolute discretion) will be deemed to be a sale or transfer of interest aforesaid. Where the Grantee is a trust, any change of the beneficiary of the Grantee will be deemed to be a sale or transfer of interest aforesaid. Where the Grantee is a discretionary trust, any change of the discretionary objects of the Grantee will be deemed to be a sale or transfer of interest aforesaid. Any breach of the foregoing of a Grantee shall entitle our Company to cancel any outstanding Option or part thereof of such Grantee (to the extent that it has not already been exercised) without incurring any liability on the part of our Company.

7.2 Unless otherwise determined by our Board and specified in the Offer Letter at the time of the Offer, there is neither any performance targets that need to be achieved by the Grantee before an Option can be exercised nor any minimum period for which an Option must be held before the Option can be exercised. An Option may be exercised in whole or in part in the manner as set out in the Offer Letter, this sub-paragraph and sub-paragraph 7.3 by the Grantee (or his personal representative(s)) giving notice in writing to our Company stating that the Option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the total Subscription Price for the Shares in respect of which the notice is given. Subject to paragraph 12, within 60 days after receipt of the notice and the remittance, and where appropriate, receipt of the certificate from the independent financial adviser, the auditors for the time being of our Company (the "**Auditor**") (as the case may be) pursuant to paragraph 11, our Company shall allot the relevant Shares to the Grantee (or his personal representative(s)) credited as fully paid and issue to the Grantee (or his personal representative(s)) a share certificate in respect of the Shares so allotted.

7.3 Subject as hereinafter provided and subject to the terms and conditions upon which such Option was granted, an Option may be exercised by the Grantee at any time during the Option Period provided that:

(a) in the event of the Grantee ceases to be a Participant for any reason other than on the Grantee's death or the termination of the Grantee's employment, directorship, appointment or engagement on one or more of the grounds specified in sub-paragraph 8(f), the Option granted to such Grantee shall lapse on the date of cessation (to the extent that it has not already been exercised) and will not be exercisable unless our Board otherwise determines to grant an extension at the discretion of our Board in which event the Grantee may exercise the Option in accordance with the provisions of paragraph 7.2 within such period of extension and up to a maximum entitlement directed at the discretion of our Board on the date of grant of extension (to the extent that it has not already been exercised and subject to other terms and conditions decided at the discretion of our Board). For the avoidance of doubt, such period of extension (if any) shall be granted within and in any event ended before the expiration of the period of one month following the date on which the Grantee ceases to be a Participant, which date of cessation shall be the Grantee's last actual working day with the relevant company whether salary is paid in lieu of notice or not, or the last date of employment, office, directorship, appointment or engagement as director, chief executive or employee, or as consultant, professional or other adviser to, the relevant company, as the case may be, in the event of which, the date of cessation as determined by a resolution of the board of directors or governing body of the relevant company shall be conclusive;

(b) in the event of the Grantee dies before exercising the Option in full and none of the events which would be a ground for termination of the Grantee's employment, office, directorship, appointment or engagement under sub-paragraph 8(f) arises, the personal representative(s) of the Grantee shall be entitled within a period of 6 months or such longer period as our Board may determine from the date of death, to exercise the Option up to the entitlement of such Grantee as at the date of death (to the extent that it has become exercisable and has not already been exercised) or, if appropriate, make an election pursuant to sub-paragraph 7.3(c), (d) or (e);

(c) if a general offer by way of take-over (other than by way of scheme of arrangement pursuant to sub-paragraph 7.3(d)) is made to all holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror (the "**Dissenting Shareholders**")) and if such offer becomes or is declared unconditional and the offeror is entitled to and does give notice pursuant to the Companies Law to acquire Shares held by the Dissenting Shareholders prior to the expiry of the relevant Option Period, the Grantee (or his personal representative(s)) may by notice in writing to our Company within 21 days of the notice of the offeror exercise the Option (to the extent that it has become exercisable on the date of the notice of the offeror and has not already been exercised) to its full extent or to the extent specified in such notice;

(d) if a general offer by way of scheme of arrangement is made to all the holders of Shares and has been approved by the necessary majority of holders of Shares at the requisite meetings, the Grantee (or his personal representative(s)) may thereafter (but only until such time as shall be notified by our Company, after which it shall lapse), by notice in writing to our Company, exercise the Option (to the extent that it has become exercisable and has not already been exercised) to its full extent or to the extent specified in such notice;

(e) other than a general offer or a scheme of arrangement contemplated in sub-paragraphs 7.3(c) and (d), if a compromise or arrangement between our Company and its members or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies, our Company shall give notice thereof to the Grantee on the same date as it despatches the notice which is sent to each member or creditor of our Company summoning the meeting to consider such a compromise or arrangement, and thereupon the Grantee (or his personal representative(s)) may forthwith and until the expiry of the period commencing with such date and ending with the earlier of 2 months thereafter and the date on which such compromise or arrangement is sanctioned by the court of competent jurisdiction, exercise any of his Options (to the extent that it has become exercisable and has not already been exercised) whether in full or in part, but the exercise of an Option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court of competent jurisdiction and becoming effective. Upon such compromise or arrangement becoming effective, all Options shall lapse except insofar as previously exercised under the Share Option Scheme. Our Company may require the Grantee (or his personal representative(s)) to transfer or otherwise deal with the Shares issued as a result of the exercise of Options in these circumstances so as to place the Grantee in the same position as nearly as would have been the case had such Shares been subject to such compromise or arrangement; and

(f) in the event of a notice is given by our Company to our Shareholders to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, other than for the purposes of a reconstruction, amalgamation or scheme of arrangement, our Company shall on the same date as or soon after it despatches such notice to convene the general meeting, give notice thereof to all Grantees and thereupon, the Grantees (or their respective personal representative(s)) may, subject to the provisions of all applicable laws, by notice in writing to our Company (such notice to be received by our Company not later than 2 Business Days prior to the proposed general meeting of our Company) exercise the Option (to the extent that it has become exercisable and has not already been exercised) either to its full extent or to the extent specified in such notice, such notice to be accompanied by a payment for the full amount of the aggregate Subscription Price for the Shares in respect of which the notice is given, whereupon our Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the Grantee credited as fully paid.

7.4 The Shares to be allotted upon the exercise of an Option will be subject to all the provisions of the memorandum and articles of association of our Company for the time being in force and will rank pari passu in all respects with the fully paid Shares in issue on the date of their allotment and issue, and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of allotment and issue 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 before the date of allotment and issue, provided always that when the date of exercise of the Option falls on a date upon which the register of shareholders of our Company is closed, then the exercise of the Option shall become effective on the first Business Day in Hong Kong on which the register of shareholders of our Company is re-opened.

8. ***Lapse of Option***

An Option shall lapse automatically and not be exercisable (to the extent that it has not already been exercised) on the earliest of:

(a) the expiry of the Option Period (subject to the provisions of paragraphs 4.1 and 14);

(b) subject to the expiry of the period of extension (if any) referred to in sub-paragraph 7.3(a), the expiry of the period referred to in sub-paragraph 7.3(a);

(c) the expiry of the periods referred to in sub-paragraphs 7.3(b) or (c), where applicable;

(d) subject to the scheme of arrangement as referred to in sub-paragraph 7.3(d) becoming effective, the expiry of the period referred to in sub-paragraph 7.3(d);

(e) subject to the compromise or arrangement referred to in sub-paragraph 7.3(e) becoming effective, the expiry of the period referred to in sub-paragraph 7.3(e);

(f) the date on which the Grantee ceases to be a Participant by reason of the termination of his employment, office, directorship, appointment or engagement as director, chief executive or employee of, or as consultant, professional and other adviser to, the relevant company of our Group on one or more of the following grounds, namely, that he has been guilty of misconduct, or has been in breach of material term of the relevant employment contract or service contract, or has stopped payment to creditors generally or been unable to pay his debts within the meaning of any applicable legislation relating to bankruptcy or insolvency, or has become bankrupt or insolvent, or has been served with a petition for bankruptcy, or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty, or (if so determined by our Board or the board of the relevant company, as the case may be) on any other ground on which any employer or any engaging party would be entitled to terminate his employment, office, directorship, appointment or engagement at common law or pursuant to any applicable laws or under the Grantee's employment contract or service contract with our Company or the relevant company (as the case may be), in the event which a resolution of our Board or the board of directors or governing body of the relevant company (as the case may be) to the effect that the employment, office, directorship, appointment or engagement of a Grantee has or has not been terminated on one or more of the grounds specified in this sub-paragraph 8(f) shall be conclusive and binding on the Grantee;

(g) the close of 2 Business Days prior to the general meeting of our Company held for the purpose of approving the voluntary winding-up of our Company or the date of the commencement of the winding-up of our Company;

(h) the date on which our Board exercises our Company's right to cancel the Option at any time after the Grantee commits a breach of sub-paragraph 7.1; or

(i) the date on which the Option is cancelled by our Board as provided in paragraph 15.

Our Company shall owe no liability to any Grantee for the lapse of any Option under this paragraph 8.

9. ***Maximum number of Shares available for subscription***

9.1 Subject to sub-paragraph 9.2:

(a) The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of our Company shall not in aggregate exceed 10.0% of the total number of Shares in issue immediately following completion of the Global Offering but without taking into account any Shares to be issued upon exercise of the Over-allotment Option, unless our Company obtains an approval from our Shareholders pursuant to sub-paragraph 9.1(b) or 9.1(c). Options lapsed in accordance with the terms of the Share Option Scheme will not be counted for the purpose of calculating such 10.0% limit.

(b) Our Company may seek approval of our Shareholders in general meeting for refreshing the 10.0% limit set out in sub-paragraph 9.1(a) under the Share Option Scheme such that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company under the limit as refreshed shall not exceed 10.0% of the total number of Shares in issue as at the date of approval to refresh such limit. Options previously granted under the Share Option Scheme and any other share option schemes (including those outstanding, cancelled, lapsed in accordance with the Share

Option Scheme or any other share option schemes or exercised options) will not be counted for the purpose of calculating such limit as refreshed. In such a case, our Company shall send a circular to our Shareholders containing the information and disclaimer as required under the Listing Rules.

(c) Our Company may seek separate approval by our Shareholders in general meeting for granting Options beyond the 10.0% limit provided that the Options in excess of such limit are granted only to Participants specifically identified by our Company before such approval is sought. In such a case, our Company shall send a circular to our Shareholders containing, amongst other terms, a generic description of the specified Participant(s) who may be granted such Options, the number of Shares subject to the Options to be granted, the terms of the Options to be granted, the purpose of granting Options to the specified Participant(s), an explanation as to how the terms of the Options serve such purpose and such other information and disclaimer as required under the Listing Rules.

9.2 Notwithstanding any provision in sub-paragraph 9.1 and subject to paragraph 11, the limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company must not exceed 30.0% of the Shares in issue from time to time (or such higher percentage as may be allowed under the Listing Rules). No options may be granted under the Share Option Scheme and any other share option schemes of our Company if this will result in such limit being exceeded.

10. ***Maximum entitlement of Shares of each Participant***

10.1 (a) Subject to sub-paragraphs 10.1(b), (c) and (d), the total number of Shares issued and to be issued upon exercise of the Options granted to each Participant (including both exercised and outstanding Options) in any 12-month period shall not exceed 1.0% of the total number of Shares in issue.

(b) Notwithstanding sub-paragraph 10.1(a), where any further grant of Options to a Participant would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such Participant under the Share Option Scheme and any other share option schemes of our Company (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1.0% of the total number of Shares in issue, such further grant must be separately approved by the shareholders of our Company in general meeting with such Participant and his associates abstaining from voting. The number of Shares subject to the Options to be granted to such Participant and the terms of the Options to be granted to such Participant shall be fixed before shareholders' approval 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 Subscription

Price. In such a case, our Company shall send a circular to our Shareholders containing, amongst other terms, the identity of such Participant, the number and the terms of the Options to be granted (and options previously granted to such Participant) and such other information as required under the Listing Rules.

(c) In addition to paragraph 9 and sub-paragraphs 10.1(a) and 10.1(b), any grant of Options to a Participant who is a director, chief executive or substantial shareholder of our Company or their respective associates must be approved by the independent non-executive directors of our Company (excluding an independent non-executive director who is the Grantee).

(d) In addition to paragraph 9 and sub-paragraphs 10.1(a) and 10.1(b), where our Board proposes to grant any Option to a Participant who is a substantial shareholder or an independent non-executive director of our Company, or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted under the Share Option Scheme and any other share option schemes of our Company (including options exercised, cancelled and outstanding) to him in the 12-month period up to and including the proposed date of such grant:

(i) representing in aggregate more than 0.1% of the total number of Shares in issue on the proposed date of such grant; and

(ii) having an aggregate value, based on the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the proposed date of such grant, in excess of HK$5,000,000.0,

such proposed grant of Options must be approved by our Shareholders in general meeting. In such a case, our Company shall send a circular to our Shareholders containing all those information as required under the Listing Rules. The Participant concerned and all other connected persons of our Company must abstain from voting in favor of the resolution at such general meeting. Any vote taken at the meeting to approve the grant of such Options must be taken on a poll.

The Participant and all other connected persons of our Company may vote against the resolution at the general meeting provided that such intention to do so has been stated in the circular. Any such party may change his mind as to whether to abstain or vote against the resolution, in which case our Company shall, if it becomes aware of the change before the date of the general meeting, immediately despatch a circular to our Shareholders or publish an announcement notifying our Shareholders of the change and, if known, the reason for such change. Where the circular is despatched or the announcement is published less than 10 Business Days before the date originally scheduled for the general meeting, the meeting shall be adjourned before considering the relevant resolution to a date that is at least 10 Business Days from the date of despatch of the circular or publication of the announcement by the chairman.

10.2 Subject to sub-paragraphs 9.1, 9.2 and 10.1, in the event of any alteration in the capital structure of our Company whether by way of capitalization issue, rights issue, consolidation, subdivision or reduction of the share capital of our Company or otherwise howsoever (other than as a result of an issue of Shares as consideration in a transaction), the maximum number of Shares referred to in sub-paragraphs 9.1, 9.2 and 10.1 will be adjusted in such manner as an independent financial adviser or the Auditors (acting as experts and not as arbitrators) shall confirm to the directors of our Company in writing to be fair and reasonable and in compliance with the requirements under the Listing Rules.

11. ***Alteration of capital structure***

In the event of any alteration in the capital structure of our Company whilst any Option remains exercisable, whether by way of capitalization issue, rights issue, subdivision, consolidation, or reduction of the share capital of our Company or otherwise howsoever in accordance with the applicable legal requirements and requirements of the Stock Exchange (excluding any alteration in the capital structure of our Company as a result of an issue of Shares pursuant to the exercise of the Over-allotment Option or as consideration in respect of a transaction to which our Company is a party) at any time after the date on which dealings in the Shares first commence on the Stock Exchange, such corresponding alterations (if any) shall be made to :

(i) the number or nominal amount of Shares subject to the Option so far as unexercised; and/or

(ii) the Subscription Price;

as an independent financial adviser appointed by our Company or the Auditors shall at the request of our Board certify in writing to the directors of our Company, either generally or as regards any particular Grantee, to be in their opinion fair and reasonable and that any such alterations shall satisfy the requirements set out in the note to rule 17.03(13) of the Listing Rules and shall give a Grantee the same proportion of the issued share capital of our Company as that to which the Grantee was previously entitled (as interpreted in accordance with the Supplementary Guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes and/or any future guidance or interpretation of the Listing Rules issued by the Stock Exchange from time to time), provided that no such alterations shall be made the effect of which would be to enable a Share to be issued at less than its nominal value. The capacity of the independent financial adviser or the Auditors in this paragraph is that of experts and not of arbitrators and their certification shall, in the absence of manifest error, be final and binding on our Company and the Grantees. The costs of the independent financial adviser or the Auditors shall be borne by our Company. Notice of such alteration(s) shall be given to the Grantees by our Company.

12. ***Share Capital***

The exercise of any Option shall be subject to our Shareholders in a general meeting approving any necessary increase in the authorized share capital of our Company. Subject thereto, our Board shall make available sufficient authorized but unissued share capital of our Company to meet subsisting requirements on the exercise of Options.

13. ***Disputes***

Any dispute arising in connection with the Share Option Scheme (whether as to the number of Shares the subject of an Option, the amount of the Subscription Price or otherwise) shall be referred to the decision of the Auditors or an independent financial adviser appointed by our Company who shall act as experts and not as arbitrators and whose decision shall be final and binding.

14. ***Alteration of the Share Option Scheme***

14.1 The provisions of the Share Option Scheme may be altered in any respect by resolution of our Board at its absolute discretion except that the provisions of the Share Option Scheme as to:

(a) the definitions of "Grantee", "Option Period" and "Participant";

(b) the provisions of paragraphs and sub-paragraphs 4.1, 5.1, 5.2, 5.3, 6, 7, 8, 9, 10, 11 and this paragraph 14; and

(c) all such other matters set out in Rule 17.03 of the Listing Rules

shall not be altered to the advantage of the Participants except with the prior approval of our Shareholders in general meeting, provided that no such alteration shall operate to affect adversely the terms of issue of any Option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the affected Grantees as would be required of our Shareholders under the articles of association for the time being of our Company for a variation of the rights attached to the Shares.

14.2 Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of the Options granted must be approved by our Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.

14.3 The amended terms of the Share Option Scheme or the Options must still comply with the relevant requirements of Chapter 17 of the Listing Rules.

14.4 Any change to the authority of our Directors or scheme administrators in relation to any alteration to the terms of the Share Option Scheme must be approved by our Shareholders in general meeting.

15. ***Cancellation of the Options granted***

Our Board may, with the consent of the relevant Grantee, at any time at its absolute discretion cancel any Option granted but not exercised. Where our Company cancels Options and makes an Offer of the grant of new Options to the same Option holder, the Offer of the grant of such new Options may only be made under the Share Option Scheme with available Options (to the extent not yet granted and excluding the cancelled Options) within the limit approved by our Shareholders as mentioned in paragraph 9.

16. ***Termination of the Share Option Scheme***

Our Company may by resolution in general meeting or our Board may at any time terminate the operation of the Share Option Scheme and in such event no further Options will be offered but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any Options granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme, and Options which are granted prior to such termination shall continue to be valid and exercisable in accordance with the provisions of the Share Option Scheme and their terms of issue. Upon such termination, details of the Options granted (including options exercised or outstanding) under the Share Option Scheme are required under the Listing Rules to be disclosed in the circular to shareholders seeking approval of the first new Share Option Scheme established thereafter.

17. ***Miscellaneous***

17.1 The Share Option Scheme shall not form part of any contract of employment or directorship, service contract or engagement contract between the relevant company of our Group and any Participant and the rights and obligations of any Participant under the terms of his employment, office, directorship, appointment or engagement shall not be affected by his participation in the Share Option Scheme or any right which he may have to participate in it and the Share Option Scheme shall afford such a Participant no additional rights to compensation or damages in consequence of the termination of such employment, office, directorship, appointment or engagement for any reason. By accepting an Option, a Grantee shall be deemed irrevocably to have accepted the grant subject to the provisions of the Share Option Scheme and to have waived any entitlement, by way of compensation for loss of office or otherwise howsoever, to any sum or other benefit to compensate him for loss of any rights under the Share Option Scheme.

17.2 The Share Option Scheme shall not confer on any person any legal or equitable rights (other than those constituting the Options themselves) against our Company directly or indirectly or give rise to any cause of action at law or in equity against our Company.

17.3 Our Company shall bear the costs of establishing and administering the Share Option Scheme.

17.4 A Grantee shall be entitled to receive copies of all notices and other documents sent by our Company to our Shareholders.

17.5 Any notice or other communication between our Company and a Grantee may be given, in the case of notice and communication to our Company, by sending the same by prepaid post or by personal delivery to its principal place of business in Hong Kong or such other address as notified to the Grantees from time to time and, in the case of notice and communication to the Grantee (i) by sending the same by prepaid post or by personal delivery to his correspondence address in Hong Kong as notified to our Company from time to time or (ii) to the extent permitted by and in accordance with the Listing Rules and any other applicable laws, by electronic communication including by transmitting the same to any electronic number, address or website as notified to our Company from time to time or by placing the same on our Company's website and/or the website of the Stock Exchange.

17.6 Any notice or other communication served by post:

(a) by our Company shall be deemed to have been served on the Grantee 24 hours after the same was put in the post; and

(b) by the Grantee shall not be deemed to have been received by our Company until the same shall have been received by our Company.

17.7 Any notice or other communication served by electronic communication by our Company shall be deemed to have been served on the Grantee:

(a) in the case of placing on our Company's website and/or the website of the Stock Exchange, on the day on which the same is published on such website; and

(b) in any other case, on the day on which the same is transmitted to the Grantee if no notification has been received by our Company within 24 hours after the transmission that the electronic communication has not reached the Grantee,

or at such later time as may be prescribed by the Listing Rules or any other applicable laws. Any failure in transmission of the electronic communication which is beyond our Company's control shall not invalidate the effectiveness of the notice or communication being served.

17.8 All allotments and issues of Shares shall be subject to any necessary consents under any relevant enactment or regulation in force from time to time in Hong Kong or elsewhere, and a Grantee shall be responsible for obtaining any governmental or other official consent or approval that may be required by any country or jurisdiction in order to permit the grant or exercise of the Option. Our Company shall not be responsible for any failure by a Grantee to obtain any such consent or approval or for any tax or other liability to which a Grantee may become subject as a result of his participation in the Share Option Scheme.

17.9 The Grantee shall pay all tax and discharge other liabilities to which he may become subject as a result of his participation in the Share Option Scheme or the exercise of any Option.

17.10 The Share Option Scheme and all Options granted hereunder shall be governed by and construed in accordance with the Listing Rules and the laws of Hong Kong in force from time to time.

Application has been made to the Listing Committee for listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of the Options.

As at the date of this Prospectus, no Option has been granted or agreed to be granted by our Company under the Share Option Scheme.

V. OTHER INFORMATION

1. Estate duty, tax, property and other indemnities

Indemnity on estate duty and taxation

Our Controlling Shareholders (the "**Indemnifiers**") have pursuant to a deed of indemnity ("Deed of Indemnity") referred to in paragraph (q) of the section headed "Summary of Material Contracts" in this Appendix, given indemnities on a joint and several basis in favor of our Company (for itself and as trustee as our subsidiaries) in connection with, among others, any taxation which might be payable by any member of our Group in respect of any income, profit or gains earned, accrued or received or alleged to have been earned, accrued or received on or before the date on which the Global Offering becomes unconditional (the "**Effective Date**").

The Indemnifiers will however, not be liable under the deed of indemnity for taxation:

(a) to the extent (if any) to which provision, reserve or allowance has been made for such taxation liabilities and claims in the audited combined financial statements of the Company for the Track Record Period (the "**Accounts**");

(b) to the extent such taxation liabilities and claims falling on any of the members of our Group in respect of their current accounting periods or any accounting period commencing on or after 1 June 2013 and ending on the Effective Date, where such taxation liabilities and claims would not have arisen but for some act or omission of, or transaction voluntarily effected by, any of the members of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement or acquiescence of the Indemnifiers other than any such act, omission or transaction:

  (i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after 31 May 2013, or

  (ii) carried out, made or entered into pursuant to a legally binding commitment created on or before 31 May 2013, or an obligation imposed by any law, regulation or requirement having the force of law, or pursuant to any statement of intention made in this Prospectus; or

(c) to the extent of any provision, reserve or allowance made for such taxation liabilities and claims in the Accounts which is finally established to be an over-provision or an excessive reserve or allowance, in which case the Indemnifiers' liability (if any) in respect of such taxation liabilities and claims shall be reduced by an amount not exceeding such provision, reserve or allowance as finally established to be excessive, provided that the amount of any such provision, reserve or allowance applied pursuant to this paragraph to reduce the Indemnifiers' liability in respect of such taxation liabilities and claims shall not be available in respect of any such liability arising thereafter and for the avoidance of doubt, such over-provision or excess provision, reserve or allowance shall only be applied to reduce the liability of the Indemnifiers under the Deed of Indemnity and none of the members of our Group shall in any circumstances be liable to pay the Indemnifiers any such excess; or

(d) to the extent that any taxation liabilities and claims arises or is incurred as a result of the imposition of such taxation liabilities and claims as a consequence of any retrospective change in the law, rules and regulations or the interpretation or practice thereof by the Hong Kong Inland Revenue Department or the taxation authority of the PRC or any other relevant authority (whether in the Cayman Islands, Hong Kong, the BVI, or the PRC or any other part of the world) coming into force after the Effective Date or to the extent that such taxation liabilities and claims arises or is increased by an increase in rates of such taxation liabilities and claims after the Effective Date with retrospective effect.

Other Indemnities

Pursuant to the Deed of Indemnity, the Indemnifiers have also given indemnities in connection with other matters as more particularly described below:

(1) *Property indemnities*

Each of the Indemnifiers has given indemnities on a joint and several basis in favour of the members of our Group against any and all actions, proceedings, claims, demands, damages, losses, costs, fees, expenses, fines, penalties, charges, liabilities and of whatever nature which any member of our Group may make, suffer or incur in respect of or arising directly or indirectly from or on the basis of or in connection with:

(a) in relation to any of the properties occupied, leased or owned by any member of our Group in the PRC ("**Relevant Properties**") rented by any member of our Group in the PRC prior to the Effective Date, any defect or want of authority in the execution by or any lack of capacity of any of the lessors or landlords under any of the relevant lease agreements; and

(b) the failure by the landlord(s) of any of the Relevant Properties in making proper registration of any lease agreement entered into prior to the Effective Date between such landlord and any of the members of our Group with the relevant PRC governmental authorities.

(2) *Indemnity against claims and other indemnities*

Each of the Indemnifiers has given indemnities on a joint and several basis in favour of the members of our Group against any and all actions, proceedings, claims, demands, damages, losses, costs, fees, expenses, fines, penalties, charges, liabilities and of whatever nature which any member of our Group may make, suffer or incur in respect of or arising directly or indirectly from or on the basis of or in connection with:

(a) the Reorganization;

(b) any of the trust and/or nominee arrangements in respect of equity interest in any member of our Group since the date of establishment of the relevant member of our Group up to completion of the Reorganization;

(c) any breach or possible or alleged breach by any member of our Group of any of its contracts with Fujifilm Holdings Corporation and/or its subsidiaries from time to time, such breach or possible or alleged breach to have occurred prior to the Effective Date (including but not limited to any breach or possible or alleged breach which have been identified and notified to Fujifilm Holdings Corporation and/or its subsidiaries);

(d) the operation and/or cessation by the Group of its business for consumer products and/or the transfer of assets, liabilities, obligations and businesses in relation thereto by the Group to 上海米吉華國際貿易有限公司 (Shanghai MG International Co., Ltd.);

(e) any violation or non-compliance prior to the Effective Date by any members of our Group with any applicable laws, rules or regulations in connection with:

    (i) development and/or processing of dental film and two-in-one developer-and-fixer working solution at our Group's research and development center in Shanghai, the PRC and the sale thereof;

    (ii) construction of part of the Jinkai Processing Plant before obtaining requisite construction permit;

    (iii) use of facilities of our Group before obtaining requisite environmental protection approvals from relevant authorities in the PRC;

    (iv) failure to issue prescribed invoices in accordance with applicable laws, rules or regulations in the PRC for sales made by our Group; and

    (v) failure to issue invoices to appropriate customers in accordance with applicable laws, rules or regulations in the PRC for payments to our Group; and

(f) any violation or non-compliance by any member of our Group with any applicable laws, rules or regulations in connection with deficiencies in calculation and/or payments of social insurance contributions and/or housing fund (including non-payment of social insurance contribution) in the PRC.

Each of the Indemnifiers has also given indemnities on a joint and several basis in favour of the members of our Group against any and all actions, proceedings, claims, demands, damages, losses, costs, fees, expenses, fines, penalties, charges, liabilities and of whatever nature which any of the members of our Group may make, suffer or incur in respect of or arising directly or indirectly from or on the basis of or in connection with any claim which is covered by the indemnities referred to above, including all reasonable costs, charges, expenses, penalties and other liabilities which any member of our Group may properly incur in connection with:

(1) the investigation, the assessment or the contesting of any taxation claim; or

(2) the settlement of any claim contemplated under the Deed of Indemnity; or

(3) any legal proceedings in which any member of the Group claims under or in respect of the Deed of Indemnity and in which judgment, award or decision is given in favour of any member of the Group; or

(4) the enforcement of any such settlement or judgment referred to in (2) or (3) above.

2. **Litigation**

No member of our Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to our Directors to be pending or threatened against any member of our Group.

3. **Related party transactions**

Our Group entered into the related party transactions within the two years immediately preceding the date of this Prospectus as mentioned in note 33 of the Accountant's Report set out in Appendix I to this Prospectus.

4. **Sole Sponsor**

Haitong has made an application on behalf of our Company to the Listing Committee for listing of, and permission to deal in, the Shares in issue and Shares to be issued as mentioned herein (including any Shares falling to be issued pursuant to the exercise of the Over-allotment Option and pursuant to the exercise of any options which may be granted under the Share Option Scheme).

5. **Preliminary expenses**

The preliminary expenses of our Company are estimated to be approximately HK$66,850 and are payable by our Company.

6. Promoter

Our Company has no promoter for the purposes of the Listing Rules. Save as disclosed in this Prospectus, within the two years preceding the date of this Prospectus, no cash, securities or other benefit had been paid, allotted or given, nor are any such cash, securities or other benefit intend to be paid, allotted or given, to the promoter of our Company in connection with the Global Offering or the related transactions described in this Prospectus.

7. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this Prospectus:-

Name	Qualification
Jingtian & Gongcheng	PRC lawyers
Ernst & Young	Certified public accountants
Haitong	Licensed corporation under the SFO to carry on Type 6 (advising on corporate finance) regulated activity
Conyers Dill & Pearman (Cayman) Limited	Cayman Islands attorneys-at-law

8. Consents of experts

Each of Jingtian & Gongcheng, Ernst & Young, Haitong and Conyers Dill & Pearman (Cayman) Limited has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion of its report and/or letter and/or opinion and/or the references to its name included herein in the form and context in which they are, respectively included.

9. Binding effect

This Prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance insofar as applicable.

10. Agency fees or commission received

The Underwriters will receive an underwriting commission, and the Sole Sponsor will receive a financial advisory fee and documentation fee, as referred to in the paragraph headed "Underwriting — Commissions and expenses" in this Prospectus.

11. **Bilingual Prospectus**

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectus from Compliance with Provisions) Notice (Chapter 32L of the laws of Hong Kong). Unless the context otherwise requires, the English language version of this prospectus shall prevail.

12. **Miscellaneous**

(a) Save as disclosed in this Appendix, within the two years immediately preceding the date of this Prospectus:

(i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;

(ii) no 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 sales of any capital of our Company or any of our subsidiaries;

(iv) no founders, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued;

(b) Since 31 May 2013, being the date to which the latest audited combined financial results of our Group as set out in Appendix I to this Prospectus were made up, there has been no material adverse change in the financial or trading position or prospects of our Group.

(c) None of Jingtian & Gongcheng, Ernst & Young, Haitong and Conyers Dill & Pearman (Cayman) Limited:

(i) is interested beneficially or non-beneficially in any shares in any member of our Group; or

(ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of our Group;

(d) all necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement;

(e) no company within our Group is presently listed on any stock exchange or traded on any trading system;

(f) there are no arrangements in existence under which future dividends are to be or agreed to be waived; and

(g) there has not been any interruption in the business of our Group which may or have had a significant effect on the financial position of our Group within 12 months preceding the date of this Prospectus.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this Prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

(i) copies of the **WHITE**, **YELLOW** and **GREEN** application forms;

(ii) the written consents referred to in the section headed "Other information — Consents of experts" in Appendix IV to this Prospectus; and

(iii) copies of material contracts referred to in the section headed "Further information about the business of our Group - Summary of material contracts" in Appendix IV to this Prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Woo, Kwan, Lee & Lo at 26th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) the Memorandum and the Articles;

(b) the accountants' report of our Group prepared by Ernst & Young, the text of which is set out in Appendix I to this Prospectus;

(c) the audited combined financial statements of our Group for the three years ended 31 December 2012 and for the five months ended 31 May 2013;

(d) the letter prepared by Ernst & Young relating to the pro forma financial information of our Group, the text of which is set out in Appendix II to this Prospectus;

(e) the letter prepared by Conyers Dill & Pearman (Cayman) Limited summarizing certain aspects of Cayman Islands company law as referred to in Appendix III to this Prospectus;

(f) the Companies Law;

(g) the PRC legal opinions dated 27 September 2013 issued by Jingtian & Gongcheng, our Company's legal advisers as to PRC law;

(h) the rules of the Share Option Scheme;

(i) the written consents referred to in the section headed "Other Information — Consents of experts" in Appendix IV to this Prospectus;

(j) the material contracts referred to in the section headed "Further Information about the Business of our Group — Summary of material contracts" in Appendix IV to this Prospectus; and

(k) the labour contracts, the service agreements and appointment letters referred to in the section headed "Further Information about Directors — Particulars of Directors' service agreements and letters of appointment" in Appendix IV to this Prospectus.