
SUMMARY

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

OVERVIEW

We are principally engaged in the design, development, manufacture and sale of electric fireplaces and home decor products. Our electric fireplaces and home decor products are designed and developed with appealing design and functionality. We aim to create new and diversified products with artistic design and functionality to enhance the quality of the users’ surroundings that will reflect their furnishing styles. Our Allen (亚伦) brand was accredited as a Well-known Trademark of the PRC (中國馳名商標) in respect of our home decor products by the SAIC in 2011 and a Famous Trademark of Fujian Province (福建省著名商標) in respect of our electric fireplaces by the Administration for Industry and Commerce of Fujian in 2012.

We were principally engaged in the export of porcelain products from 1993 and we commenced to design, develop, manufacture and sell our home decor products under our Allen (亚伦) brand since 2005. Our Directors are of the view that this business segment is relatively mature and our revenue derived from this business segment was relatively stable during the Track Record Period. In 2008, we commenced to sell electric fireplaces and thereafter our revenue derived from this business segment has been growing at a faster rate than that of the home decor product segment. We expect that the electric fireplace business will become the major business segment for us in the future.

OUR BUSINESS MODEL

Our business model is catered for our operations in connection with our Allen (亚伦) brand as well as our ODM and OEM customers. Our products are principally sold in the PRC under our Allen (亚伦) brand and accounted for over 80% of our revenue during the Track Record Period. We also sell a portion of our products on ODM/OEM basis to our overseas customers such as those in the U.S., Germany, Canada, France, Australia, Taiwan and Japan.

We generally sell our ODM and OEM products directly to overseas customers under the brands of our ODM/OEM customers or under no specific brand. For our ODM sales, we design, develop, manufacture and sell our products at our ODM customers’ requests. For our OEM sales, we manufacture and sell our products according to the design and specifications provided by our OEM customers.

OUR PRODUCTS

Electric fireplaces

Our electric fireplaces are heaters powered by electricity and mimic the appearance of burning of coal, wood or natural gas. The electric fireplace has added convenience giving users the option to use the “flame only” setting which provides the visual effect of a burning flame as creative home decoration only or can be used additionally as a source of heat. Our electric fireplaces are generally classified into framed electric fireplaces and non-framed electric fireplaces and are offered in various sizes and can heat an area of up to 40 square metres. Our framed electric fireplace typically has a fireplace core installed in a frame or mantel and we categorise our framed electric fireplaces into three series based on the major raw

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materials of the frames or mantels: (i) the inorganic series; (ii) the wood series and (iii) the natural stone series. To cater for the diverse preferences of customers, we offer mantels in a variety of styles. Our non-framed electric fireplaces include portable models and wall-mounted models. Our non-framed electric fireplaces are typically stand-alone electric fireplaces and are offered in various sizes, colours and styles. As of 30 June 2013, we offered more than 190 models of electric fireplaces for selection by customers.

Home decor products

We offer a wide range of home decor products including outdoor gardening decoration items and indoor crafts. Our home decor products include decoration items for everyday use and products that may be used for different occasions and seasonal celebrations, such as Easter, Halloween and Christmas. We offer home decor products in a variety of sizes ranging from mini-figurines to indoor decoration crafts such as vases, photo frames and sculptures to larger-sized products including fountains, waterfalls and patio furniture such as tables and stools for outdoor use. Our home decor products are categorised into three series based on the major raw materials of the products: (i) polyresin series; (ii) porcelain series and (iii) inorganic series. As of 30 June 2013, we offered more than 4,000 pieces of home decor products for selection by customers.

OUR SALES AND CUSTOMERS

We derived a significant portion of our revenue from PRC sales and our domestic sales are mainly to customers located in Eastern China and Southwestern China and also to various regions including Northern China and Northeastern China. For further details of our domestic and overseas sales, please refer to the section headed “Business – Sales and marketing” on pages 155 to 163 in this prospectus.

The table below sets forth the breakdown of our domestic, overseas sales, our sales under our Allen (亚伦) brand and on ODM/OEM basis for the periods indicated:

	Year ended 31 December					Six months ended 30 June				
	2010		2011		2012	2012		2013		
	RMB'000	%	RMB'000	%	RMB'000	% RMB'000		% RMB'000	%	
	(Unaudited)									
PRC sales (our Allen (亚伦) brand)	624,565	83.1	672,923	83.7	840,960	86.8	355,610	89.5	451,152	91.3
Overseas sales (on ODM/OEM basis)										
– North America (note 1)	101,152	13.5	81,255	10.1	93,741	9.7	27,088	6.8	23,592	4.8
– European countries (note 2)	13,106	1.7	22,965	2.9	23,664	2.4	9,820	2.4	14,511	3.0
– Others (note 3)	12,996	1.7	26,929	3.3	10,661	1.1	5,011	1.3	4,636	0.9
Sub-total:	127,254	16.9	131,149	16.3	128,066	13.2	41,919	10.5	42,739	8.7
Total:	751,819	100.0	804,072	100.0	969,026	100.0	397,529	100.0	493,891	100.0

Notes:

1. Includes the U.S. and Canada.
2. Mainly includes the United Kingdom, Ireland, Holland, Norway, Belgium, Denmark, Spain, Sweden, France, Germany and Finland.
3. Mainly includes Hong Kong, Taiwan, Australia, Japan, Chile and Russia.

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The following table sets forth the revenue and sales volume breakdown by product segments in the PRC and overseas during the Track Record Period:

	Year ended 31 December						Six months ended 30 June			
	2010		2011		2012		2012		2013	
	RMB'000	unit	RMB'000	unit	RMB'000	unit	RMB'000	unit	RMB'000	unit
	(Unaudited)									
Electric Fireplaces										
PRC Sales										
Framed electric fireplace										
– wood series	54,300	21,281	54,245	22,918	151,703	46,040	53,266	19,608	119,572	34,766
– natural stone series	106,549	19,677	105,188	19,826	127,805	21,985	42,915	8,133	55,862	9,378
– inorganic series	20,103	13,192	35,994	24,996	81,120	62,628	32,424	23,378	47,214	36,242
Non-framed electric fireplace	1,453	3,407	13,258	31,224	25,332	58,067	15,662	36,739	22,270	49,855
Sub-total:	182,405	57,557	208,685	98,964	385,960	188,720	144,267	87,858	244,918	130,241
Overseas Sales										
Framed electric fireplace										
– wood series	3,672	1,327	18,919	9,786	19,772	12,264	–	–	3,036	2,421
– natural stone series	–	–	–	–	–	–	–	–	–	–
– inorganic series	6,153	4,238	15,523	13,891	30,999	33,313	5,529	5,811	6,272	7,512
Non-framed electric fireplace	–	–	–	–	127	360	–	–	1,138	2,816
Sub-total:	9,825	5,565	34,442	23,677	50,898	45,937	5,529	5,811	10,446	12,749
Electric fireplaces – Total:	192,230	63,122	243,127	122,641	436,858	234,657	149,796	93,669	255,364	142,990

	Year ended 31 December						Six months ended 30 June			
	2010		2011		2012		2012		2013	
	RMB'000	piece ('000)	RMB'000	piece ('000)	RMB'000	piece ('000)	RMB'000	piece ('000)	RMB'000	piece ('000)
	(Unaudited)									
Home Decor Products										
PRC Sales										
– polyresin series	223,947	37,295	273,154	12,943	273,657	4,816	127,097	2,617	110,777	1,108
– porcelain series	123,971	19,125	102,240	9,188	103,857	6,126	41,466	3,556	56,543	3,023
– inorganic series	94,242	1,037	88,844	753	77,486	583	42,780	297	38,914	365
Sub-total:	442,160	57,457	464,238	22,884	455,000	11,525	211,343	6,470	206,234	4,496
Overseas Sales										
– polyresin series	93,636	17,240	70,758	7,100	69,332	2,186	33,804	1,311	26,146	1,066
– porcelain series	9,134	1,163	13,901	1,445	4,321	437	1,964	209	3,772	193
– inorganic series	14,659	185	12,048	127	3,515	32	622	10	2,375	24
Sub-total:	117,429	18,588	96,707	8,672	77,168	2,655	36,390	1,530	32,293	1,283
Home decor products – Total:	559,589	76,045	560,945	31,556	532,168	14,180	247,733	8,000	238,527	5,779
Total:	751,819		804,072		969,026		397,529		493,891	

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During the Track Record Period, our revenue of PRC sales was on an increasing trend while that of our overseas sales was decreasing. This was principally due to our increased allocation of resources to promote and develop electric fireplaces in the PRC market, which generally has a higher gross profit margin than our home decor products.

During the Track Record Period, we sold our products directly to our customers. We recognise revenue from the sales of our products when they are delivered to our customers. Our customers include trading entities, retail companies and individuals. As of 30 June 2013, we had 121 customers. To the best knowledge of our Directors, our trading entity customers further sell our products to their customers including decoration engineering companies, property construction companies and retailers of home decoration materials and a majority of our trading entity customers are principally engaged in the trading business and some of them are also engaged in landscape design and refurbishing. During the Track Record Period, revenue generated from the sales to these trading entity customers accounted for over 80% of our total revenue. Our retail company customers generally operate department stores, supermarkets or hypermarkets and they further sell our products to end users through their own retail networks. We generally grant a credit period of 60 days to 90 days to our customers based on factors such as their scale of operations, business relationships with us and historical payment records. Our customers usually settle our payments by bank transfer.

We encourage our trading entity customers to open showrooms under our Allen (亚伦) brand to further promote and enhance brand recognition. For this purpose, we have entered into framework agreements with 20 of our trading entity customers pursuant to which we grant the right to these trading entity customers to sell our products to domestic customers in a designated region on a non-exclusive basis for a term of three years and they are required to decorate the showrooms in accordance with our design specifications. We are not involved in the operation of the showrooms nor do we control their daily sales activities apart from the requirement that they are not allowed to sell our products at prices less than our recommended prices. There is no minimum purchase amount stipulated in the framework agreements and we will conduct review of the usage of our brand by these customers. For the three years ended 31 December 2012 and the six months ended 30 June 2013, sales to our trading entity customers which have entered into framework agreements with us accounted for approximately 23.8%, 43.4%, 50.1% and 50.6% of our total revenue respectively. For further details on our customers and such framework agreements, please refer to the section headed “Business — Sales and marketing — Our customers” on pages 157 to 161 in this prospectus.

Pricing

We take into account various factors such as market prices, raw material costs, production costs, packaging requirements, effect of exchange rate for overseas sales and our business plans and objectives when determining the prices of our products. The prices of our home decor products are generally determined on a cost plus profit margin basis. For our electric fireplaces, we also price them at cost plus profit margin basis but there is less flexibility in adjusting for raw material costs. Our production costs may be affected by any fluctuations in the prices of raw materials. As such, we continuously monitor the price movements of our raw materials and adjust the prices of our products accordingly. For the prices of our products including highest, lowest unit prices and average selling prices, please refer to the section headed “Financial Information — Principal income statement items — Pricing” on page 221 in this prospectus.

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Marketing

We have been and will continue to promote recognition of our Allen (亚伦) brand through further employing various media channels such as advertising on industry magazines, billboards and the internet and participating in trade exhibitions. We may also engage brand ambassadors or spokespersons to further promote our Allen (亚伦) brand. We also target to cooperate with selected trading entity customers to establish creative home furnishing concept shops in major cities in the PRC. We believe that the creative home furnishing concept shops will allow our products to be showcased and enable customers and end-users to experience our products in an upmarket environment. Please refer to the section headed “Business — Our business strategies — Increase market share and penetration in the PRC” on pages 122 to 124 in this prospectus for further information on the proposed creative home furnishing concept shops.

Sales strategy and after-sales services

As of 30 June 2013, our sales and marketing team comprised 40 staff. Our sales team communicates with our customers on a regular basis to collect their feedback on the quality, preferences and requirements of our products. Our sales team works closely with our design and technical team on exchange of market trends and customers’ preferences to more effectively incorporate customers’ feedback into product development.

We generally provide product warranty for our electric fireplaces for a period of one year and our customers are responsible for providing after-sale services to their own customers. Under the arrangement with our customers, they are responsible for providing repair and servicing to end-users and we provide a service hotline for end-users to contact us should they have further issues or concerns. We also provide after-sales training on our electric fireplaces to new customers in relation to the installation, basic maintenance and other product knowledge. We typically allow our customers to exchange defective products and we generally do not accept return of non-defective products from our customers.

PROCUREMENT AND SUPPLIERS

The major raw materials used in the manufacturing of our electric fireplaces are marble frames, wood for the frames of the electric fireplaces and cold-rolled metal plates. The major raw materials used in the manufacturing of our home decor products include polyresin, clay and magnesium oxide. We purchase raw materials in a centralised procurement method and generally in accordance with our sales orders. We currently source all our raw materials from the PRC and maintain an inventory level of around two weeks for certain raw materials commonly used in our production process. Our suppliers generally grant us a credit term ranging from 30 to 90 days. As of 30 June 2013, we had more than 200 qualified suppliers. We adopt certain procedures and take into account factors such as their scale of operation, quality control system and services provided when selecting our suppliers. We also conduct on-site inspections and annual evaluations on our suppliers to ensure that they meet our criteria and standards. During the Track Record Period, we did not incur any warranty expense, make any provision for warranty or receive any customer complaints and request for product exchange owing to product quality and defects which were material to our business.

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OUR PRODUCTION FACILITIES AND EXPANSION PLAN

We manufacture our products at our two production facilities: Luojiang Production Facilities and Quangang Production Facilities. As of 30 June 2013, we had a total of 1,979 production staff. The Luojiang Production Facilities are principally used for the manufacturing and assembly of our electric fireplaces and wood frames of our electric fireplaces. The Quangang Production Facilities are principally used for the manufacturing of our home decor products and the inorganic frames of our electric fireplaces. Due to the different production process involved in the three series of our home decor products and the inorganic frames of our electric fireplaces, we have separate production facilities at our Quangang Production Facilities dedicated to manufacture products made from the different types of raw materials. Set forth below is a table summarising our production capacity and utilisation rates for our production facilities during the Track Record Period:

	For the year ended 31 December			For the six months ended
	2010	2011	2012	30 June 2013
Luojiang Production Facilities				
<i>Electric fireplaces production facilities</i>				
Effective designed capacity (<i>units</i>)	226,200	268,950	277,500	132,275
Utilisation rate (%)	27.2	46.1	75.3	92.1
Quangang Production Facilities				
<i>Polyresin production facilities</i>				
Effective designed capacity (<i>tonnes</i>)	36,000	36,000	36,000	17,160
Utilisation rate (%)	40.6	43.4	42.9	38.1
<i>Porcelain production facilities</i>				
Effective designed capacity (<i>tonnes</i>)	18,000	18,000	18,000	8,580
Utilisation rate (%)	72.9	60.4	52.7	51.5
<i>Inorganic production facilities</i>				
Effective designed capacity (<i>tonnes</i>)	16,200	16,200	16,200	7,722
Utilisation rate (%)	81.0	78.8	82.5	84.7

Further details on our production facilities and our production capacity is set forth in the section headed “Business — Production facilities” on pages 145 to 152 in this prospectus.

We are currently expanding our production capacity to meet the increasing demand for our electric fireplaces. According to the Frost & Sullivan Report, the total sales value of electric fireplaces is expected to grow at a CAGR of approximately 13.0% from approximately RMB19.6 billion in 2013 to approximately RMB28.3 billion in 2016. The sales of electric fireplaces are expected to increase due to the development of high-end real estate, increasing disposable income and high acceptance of western culture. For the six months ended 30 June 2013, the utilisation rate at our Luojiang Production Facilities reached approximately 92.1% and our Directors believe that our expansion plans will enable us to cope with expected increase in future demand given the high utilisation rate of our existing production facilities for our electric fireplaces. We will expand our production capacity by constructing our Expanded Luojiang Production Facilities, which will increase our existing production capacity of electric fireplaces by approximately 50,000 units per year. We expect that the construction of the Expanded

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Luojiang Production Facilities to be completed in mid-2014 and the capital expenditure will be approximately RMB65.0 million which will be funded by our internal resources. We also plan to expand our production capacity by the construction of the Anhui Production Facilities which will be mainly dedicated for the manufacturing of electric fireplaces. We expect that the maximum annual production capacity of electric fireplaces at the Anhui Production Facilities will be approximately 300,000 units. The Anhui Production Facilities will also be equipped with a showroom, office building and design and development centre, staff dormitory and a logistics centre. The construction of the Anhui Production Facilities will be divided into three phases which are expected to be completed by mid-2014, first quarter of 2015 and end of 2015, respectively. We expect to incur a total capital expenditure of approximately RMB554.5 million for this project. Further information on the Anhui Production Facilities, including details on its implementation timetable and estimated capital expenditures, is set forth in the section headed “Business — Production facilities — Anhui Production Facilities” on pages 149 to 152 in this prospectus.

Nevertheless, our Anhui Production Facilities may result in a number of risks, including but not limited to, a significant increase in our cost of sales and depreciation and our revenue and profit may not increase in proportion to our increased capacity. Please refer to the risk factor titled “Our expansion of the production facilities, in particular our Anhui Production Facilities, may not be as successful as we have planned or such expansion may result in over-capacity, significant increase in our cost of sales, depreciation and may affect our operations, financial conditions and the demand for our electric fireplaces and our revenue and profit may not increase proportionally to our increased capacity” on page 31 in this prospectus.

OUR COMPETITIVE STRENGTHS AND BUSINESS STRATEGY

Our Directors believe that we have the following competitive advantages:

- Our Allen (亚伦) brand is well recognised in the industry
- We are one of the leading branded electric fireplace manufacturers in the PRC
- We have the capabilities in product design and development
- We focus on quality control and product safety
- We have established long-term business relationships with our major customers
- We offer a wide range of products
- We have an experienced and dedicated management team with extensive industry experience

We intend to achieve these objectives by implementing the following business strategies:

- Enhance our brand recognition and promote our brand awareness in the PRC
- Strengthen our product design and development capabilities and optimise our product offerings
- Increase market share and penetration in the PRC
- Increase our production capacity
- Promote our brand and brand awareness in the overseas market

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SUMMARY HISTORICAL FINANCIAL INFORMATION

The following table sets forth our summary consolidated income statement, breakdown of gross profit margin for major business segments and net profit margin for the periods indicated. This financial information was extracted from, and should be read in conjunction with the financial information of our Group set forth in the Accountant's Report in Appendix I from page I-1 of this prospectus.

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Revenue	751,819	804,072	969,026	397,529	493,891
<i>Electric fireplaces</i>	192,230	243,127	436,858	149,796	255,364
<i>Home decor products</i>	559,589	560,945	532,168	247,733	238,527
Gross profit	322,520	331,230	428,197	170,321	225,133
<i>Electric fireplaces</i>	93,940	111,284	215,057	72,079	129,511
<i>Home decor products</i>	228,580	219,946	213,140	98,242	95,622
Gross profit margin	42.9%	41.2%	44.2%	42.8%	45.6%
<i>Electric fireplaces</i>	48.9%	45.8%	49.2%	48.1%	50.7%
<i>Home decor products</i>	40.8%	39.2%	40.1%	39.7%	40.1%
Profit and total comprehensive income attributable to equity holders of our Company	218,943	218,261	261,629	95,080	129,538
Net profit margin	29.1%	27.1%	27.0%	23.9%	26.2%

During the Track Record Period, our revenue of sales of electric fireplaces increased at a faster rate than that of our home decor products principally due to our increased allocation of resources to promote and develop our electric fireplaces in the PRC market, which generally have a higher gross profit margin than our home decor products.

The following table sets forth our summary consolidated statements of financial position as of the dates indicated:

	As of 31 December			As of 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	395,168	417,112	411,624	414,299
Current assets	364,646	340,207	752,494	744,627
Current liabilities	204,178	155,347	354,235	265,261
Net current assets	160,468	184,860	398,259	479,366
Non-current liabilities	10,649	4,724	5,406	2,662
Total equity	544,987	597,248	804,477	891,003

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The table below sets forth the selected consolidated statements of cash flows for the periods indicated:

	Year ended 31 December			Six months ended	
	2010	2011	2012	30 June 2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Net cash generated from operating activities	193,584	148,152	293,954	131,939	82,412
Net cash (used in)/generated from investing activities	(251,634)	(168,339)	33,663	35,805	(19,611)
Net cash generated from/(used in) financing activities	35,662	8,000	10,951	(4,700)	(33,309)

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

	As of 31 December			As of
	2010	2011	2012	30 June 2013
Current ratio	1.8	2.2	2.1	2.8
Gearing ratio (%)	16.9%	8.4%	8.1%	7.2%

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

RECENT DEVELOPMENTS SUBSEQUENT TO THE TRACK RECORD PERIOD

We confirm that there have not been any material adverse changes in the financial or trading position or prospects of our Group subsequent to the Track Record Period and up to the date of this prospectus. Based on our unaudited management accounts, our revenue increased by approximately 21.6% to approximately RMB917.0 million for the ten months ended 31 October 2013 from approximately RMB754.2 million for the ten months ended 31 October 2012 and our gross profit margin remained relatively stable during the relative period. Our gross profit margin for our electric fireplaces and home decor products was approximately 49.9% and 38.6%, respectively, for the ten months ended 31 October 2013 compared to approximately 49.1% and 39.3%, respectively, for the ten months ended 31 October 2012. Subsequent to 30 June 2013 and up to the Latest Practicable Date, we did not experience a significant change of pricing policy for our products and there was no material change in the cost of our raw materials.

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SHAREHOLDERS INFORMATION

Immediately following completion of the Global Offering and the Capitalisation Issue (without taking into account any Shares that may be allotted and issued upon exercise of the Over-allotment Option and the options that may be granted under the Share Option Scheme), China Wisdom, Ocean Equity and Clear Zone will be directly interested in 69.4%, 5.3% and 5.3%, respectively, of the issued share capital of our Company.

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

PROFIT FORECAST FOR THE YEAR ENDING 31 DECEMBER 2013

Our Directors believe that, in the absence of unforeseen circumstances and on the bases and assumptions as set forth in the section headed “Profit Forecast” in Appendix III on page III-1 in this prospectus, our forecast consolidated profit attributable to the equity holders of the Company for the year ending 31 December 2013 and the unaudited pro forma forecast earnings per Share are as follows:

Forecast consolidated profit attributable to equity holders of the Company ⁽¹⁾	not less than RMB295.0 million (equivalent to approximately HK\$368.8 million)
Unaudited pro forma forecast earnings per Share ⁽²⁾⁽³⁾	not less than RMB0.16 (equivalent to approximately HK\$0.20)

Notes:

- (1) The bases and assumptions on which the above profit forecast for the year ending 31 December 2013 has been prepared are summarised in Appendix III on page III-1 to this prospectus.
- (2) The calculation of unaudited pro forma forecast earnings per Share for the year ending 31 December 2013 is based on the forecast consolidated profit attributable to equity holders of the Company for the year ending 31 December 2013 and on the basis that 1,800,000,000 Shares were in issue during the entire period and assuming that the Global Offering had been completed on 1 January 2013. The calculation takes no account of any Shares which may be issued upon exercise of the options granted under the Share Option Scheme or any shares which may be allotted and issued or repurchased by our Company pursuant to the general mandate to issue Shares or the general mandate to repurchase shares as described in the section headed “Share Capital” on page 205 in this prospectus.
- (3) For the purpose of forecast combined profit attributable to equity holders of the Company and unaudited pro forma forecast earnings per Share, the amounts stated in Renminbi are converted into Hong Kong dollars at a rate of RMB1.00 to HK\$1.25. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

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GLOBAL OFFERING STATISTICS

We have prepared the following offer statistics on the basis of indicative Offer Prices without taking into account the 1% brokerage fee, 0.003% SFC transaction levy and 0.005% Stock Exchange trading fee. We have also assumed the Over-allotment Option is not exercised.

	Based on Offer Price per Share of HK\$1.80	Based on Offer Price per Share of HK\$2.35
Market capitalisation of our Shares (note 1)	HK\$3,240.0 million	HK\$4,230.0 million
Prospective price/earnings multiple pro forma fully diluted (note 2)	9.0 times	11.8 times
Unaudited pro forma adjusted net tangible asset value per Share (note 3)	RMB0.76 (HK\$0.95)	RMB0.85 (HK\$1.06)

Notes:

- (1) The calculation of our market capitalisation upon completion of the Global Offering is based on the assumption that 1,800,000,000 Shares will be in issue and outstanding immediately following the completion of the Global Offering.
- (2) The prospective price/earnings multiple on a pro forma fully diluted basis is calculated based on the unaudited pro forma forecast earnings per Share for the year ending 31 December 2013 and on the basis of a total of 1,800,000,000 Shares in issue and taking into account the indicative Offer Prices of HK\$1.80 and HK\$2.35 per Offer Share.
- (3) The unaudited pro forma adjusted net tangible asset value per Share is calculated after the adjustments referred to in the section headed “Unaudited Pro Forma Financial Information — Unaudited Pro Forma Statement of Adjusted Net Tangible Assets” set forth in Appendix II from pages II-1 to II-2 in this prospectus and on the basis of a total of 1,800,000,000 Shares in issue immediately following the Global Offering.

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SENSITIVITY ANALYSES

For illustration purposes only, a sensitivity analysis of our net profits with reference of the price fluctuation of our major raw materials, being polyresin, marble and wood, during the Track Record Period is set out as follows. The following table demonstrates how the hypothetical effects of increase or decrease in the major raw materials prices affect our net profit, assuming we are not able to pass on such changes to our customers while all other factors remain unchanged:

	Hypothetical increase/decrease of 10% in price of polyresin <i>RMB'000</i>	Hypothetical increase/decrease of 20% in price of polyresin <i>RMB'000</i>	Hypothetical increase/decrease of 30% in price of polyresin <i>RMB'000</i>
Decrease/increase in our net profit:			
Year ended 31 December 2010	6,894	13,788	20,682
Year ended 31 December 2011	6,572	13,144	19,716
Year ended 31 December 2012	5,555	11,110	16,665
Six months ended 30 June 2012 (Unaudited)	2,679	5,358	8,037
Six months ended 30 June 2013	2,285	4,570	6,855
Year ending 31 December 2013 (Forecast)	5,675	11,350	17,025

	Hypothetical increase/decrease of 10% in price of marble <i>RMB'000</i>	Hypothetical increase/decrease of 20% in price of marble <i>RMB'000</i>	Hypothetical increase/decrease of 30% in price of marble <i>RMB'000</i>
Decrease/increase in our net profit:			
Year ended 31 December 2010	4,050	8,100	12,150
Year ended 31 December 2011	4,136	8,272	12,408
Year ended 31 December 2012	4,729	9,458	14,187
Six months ended 30 June 2012 (Unaudited)	1,626	3,252	4,878
Six months ended 30 June 2013	2,008	4,016	6,024
Year ending 31 December 2013 (Forecast)	4,403	8,806	13,209

	Hypothetical increase/ decrease of 10% in price of wood <i>RMB'000</i>	Hypothetical increase/ decrease of 20% in price of wood <i>RMB'000</i>	Hypothetical increase/ decrease of 30% in price of wood <i>RMB'000</i>	Hypothetical increase/ decrease of 40% in price of wood <i>RMB'000</i>
Decrease/increase in our net profit:				
Year ended 31 December 2010	1,943	3,886	5,829	7,772
Year ended 31 December 2011	746	1,492	2,238	2,984
Year ended 31 December 2012	1,980	3,960	5,940	7,920
Six months ended 30 June 2012 (Unaudited)	474	948	1,422	1,896
Six months ended 30 June 2013	1,758	3,516	5,274	7,032
Year ending 31 December 2013 (Forecast)	3,854	7,708	11,562	15,416

SUMMARY

A sensitivity analysis of our net profit with reference to the average selling prices of our products during the Track Record Period is set forth below. The movement of average selling prices of our products used in the below analysis represents 5%, 10%, 15% and the maximum fluctuation of the average selling prices of our products during the Track Record Period:

	Hypothetical increase/ decrease of 5% in average selling price of electric fireplaces RMB'000	Hypothetical increase/ decrease of 10% in average selling price of electric fireplaces RMB'000	Hypothetical increase/ decrease of 15% in average selling price of electric fireplaces RMB'000	Hypothetical increase/ decrease of 21% in average selling price of electric fireplaces RMB'000
Increase/decrease of our net profits				
Year ended 31 December 2010	8,410	16,820	25,230	35,322
Year ended 31 December 2011	10,637	21,274	31,911	44,675
Year ended 31 December 2012	18,566	37,132	55,698	77,977
Six months ended 30 June 2012 (Unaudited)	6,366	12,732	19,098	26,737
Six months ended 30 June 2013	10,853	21,706	32,559	45,583
Year ending 31 December 2013 (Forecast)	28,842	57,684	86,526	121,137

	Hypothetical increase/ decrease of 5% in average selling price of home decor products RMB'000	Hypothetical increase/ decrease of 10% in average selling price of home decor products RMB'000	Hypothetical increase/ decrease of 15% in average selling price of home decor products RMB'000	Hypothetical increase/ decrease of 33% in average selling price of home decor products RMB'000
Increase/decrease of our net profits				
Year ended 31 December 2010	24,482	48,964	73,446	161,581
Year ended 31 December 2011	24,541	49,082	73,623	161,971
Year ended 31 December 2012	19,956	39,912	59,868	131,710
Six months ended 30 June 2012 (Unaudited)	9,290	18,580	27,870	61,314
Six months ended 30 June 2013	8,944	17,888	26,832	59,030
Year ending 31 December 2013 (Forecast)	19,179	38,358	57,537	126,579

SUMMARY

DIVIDEND POLICY

During the Track Record Period, we declared dividends of RMB128.3 million for the year ended 31 December 2010, RMB166.0 million for the year ended 31 December 2011, RMB54.4 million for the year ended 31 December 2012 and RMB91.8 million for the six months ended 30 June 2013.

Our Directors are of the view that certain amount of undistributed earnings of our subsidiaries are for reinvestment in the PRC and not for distribution. The actual amount of dividend to be distributed to our Shareholders will depend upon our earnings and financial condition, operating requirements, capital requirements and any other conditions that our Directors may deem relevant and will be subject to approval of our Shareholders. Any future declarations and payments of dividends may or may not reflect the historical declarations and payments of dividends and will be at the absolute discretion of our Directors. For additional details regarding dividends paid by us and the factors taken into account for declarations of dividends, please refer to the section headed “Financial Information — Dividend policy” from pages 260 to 261 in this prospectus.

USE OF PROCEEDS

We estimate that the net proceeds from the Global Offering (after deduction of underwriting fees and estimated expenses payable by us in relation to the Global Offering, and assuming an Offer Price of HK\$2.075 per Offer Share, being the mid-point of the indicative Offer Price range of HK\$1.80 to HK\$2.35 and the Over-allotment Option is not exercised) are approximately HK\$698.6 million (or approximately HK\$807.3 million assuming the Over-allotment Option is exercised in full) (to be received upon the Listing). Our Directors intend to apply the net proceeds from the Global Offering for the following purposes:

Amount of proceeds (%)	Use of proceeds
HK\$375.1 million (53.7%)	for the construction of and purchases of production machinery and equipment for the new Anhui Production Facilities
HK\$111.8 million (16.0%)	to establish seven creative home furnishing concept shops under our Allen (亚伦) brand in selected major cities in the PRC by 2016
HK\$51.0 million (7.3%)	to increase market shares by further expanding our overseas sales network under our own brand overseas, particularly in North America, participating in trade shows and industry exhibitions and establishing an overseas sales and design and development team
HK\$48.9 million (7.0%)	to promote our Allen (亚伦) brand through advertising in various media (such as television, the internet, billboards and magazines) and engage brand ambassadors or spokespersons

SUMMARY

HK\$41.9 million (6.0%)

to strengthen our technical expertise and know-how to ensure continuous improvement of the functionality features of our products by recruiting more experts for our technical team, further cooperation with academic or professional institutions and enhancing our self-developed products. Other than the cooperation agreements entered into with a university in Fuzhou, Fujian Province and the University of Shanghai for Science and Technology (上海理工大學), we did not enter into any other cooperation agreements with other institutions as of the Latest Practicable Date

HK\$69.9 million (10.0%)

to fund our working capital and other general corporate purposes

The additional net proceeds that we will receive if the Over-allotment Option is exercised in full will be approximately HK\$108.7 million (assuming an Offer Price of HK\$2.075 per Offer Share, being the mid-point of the indicative Offer Price range of HK\$1.80 to HK\$2.35). If the Over-allotment Option is exercised in full, our Directors intend to apply all the additional net proceeds for the above uses on a pro rata basis.

Please refer to the sections headed “Future Plans and Use of Proceeds — Future plans” on pages 264 to 265 and “Business — Our business strategies” from pages 120 to 126 of this prospectus for detailed information of our future plans.

RISK FACTORS

There are risks associated with our business and investment in the Global Offering. These risks include (i) our future success may largely depend on the market recognition of our brand as products under our own brand are principally sold in the PRC and accounted for most of our revenue and also have a higher gross profit margin compared to our products sold to overseas customers on ODM/OEM basis; (ii) our expansion of the production facilities may not be as successful as we have planned or such expansion may involve certain risks; (iii) we may not be successful in our product enhancement and new product development, in particular our electric fireplaces, which had primarily fueled the growth of our revenue over the Track Record Period; and (iv) our home decor products business recorded a decrease in revenue for 2012 and the six months ended 30 June 2013 from previous year/period due to our increased allocation of resources to promote and develop electric fireplaces in the PRC. Some of the particular risks are set forth in the section headed “Risk Factors” from page 30 in this prospectus. You should read that entire section carefully before you decide to invest in the Offer Shares.

SUMMARY

NON-COMPLIANCES

During the Track Record Period, we did not fully comply with the laws and regulations in respect of social insurance contributions and housing provident fund contribution. We did not obtain approval from the relevant PRC governmental authorities on the change of the usage of some of our properties and we did not obtain the construction works planning permits in relation to some of our properties. We did not update the compulsory certification for some of our products. We did not prepare accounts in relation to one of our subsidiaries in Hong Kong. Please refer to the section headed “Business — Legal compliances and proceedings” from pages 172 to 182 in this prospectus for detailed information of these material non-compliance incidents.

LISTING EXPENSES

All incremental costs that are directly attributable to the issue of new shares are recognised directly deducted from equity while any expenses attributable to listing of existing shares are charged to the profit and loss accounts in the period in which the expenses are incurred. The total expenses for the Listing are estimated to be approximately HK\$57.4 million (assuming an Offer Price of HK\$2.075 per Offer Share, being the mid-point of the indicative Offer Price range of HK\$1.80 to HK\$2.35), of which approximately HK\$31.2 million is directly attributable to the issue of new Shares in the Global Offering and to be accounted for as a deduction from equity and approximately HK\$26.2 million is to be charged as administrative expenses to our profit and loss accounts in the period in which the expenses are incurred. The listing expenses of approximately HK\$9.0 million were charged to our profit and loss account for the year ended 31 December 2012 and the six months ended 30 June 2013, and approximately HK\$17.2 million are expected to be charged to our profit and loss account after 30 June 2013, which will be reflected in our administrative expenses for the year ending 31 December 2013.