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## HISTORY AND DEVELOPMENT

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### BUSINESS DEVELOPMENT

#### Introduction

Our business can be traced back to 1993 when we established China Allen in the PRC to principally engage in the exports of porcelain products. Since 2005, we have commenced to design, develop and sell home decor products under our own brand and commenced to design and develop electric fireplaces under our own brand. In 2008, we launched electric fireplaces to the market under our own brand.

#### Business milestones

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

1993	<ul style="list-style-type: none"><li>China Allen was established in the PRC to principally engage in the exports of porcelain products</li></ul>
1997	<ul style="list-style-type: none"><li>Our Wan An Production Facilities was established</li></ul>
2001	<ul style="list-style-type: none"><li>We obtained the ISO 9001 certification issued by China Quality Certification Centre for Import and Export</li></ul>
2002	<ul style="list-style-type: none"><li>Our Quangang Production Facilities was established</li></ul>
2005	<ul style="list-style-type: none"><li>We commenced to design, develop, manufacture and sell home decor products under our Allen (亚伦) brand and commenced to design and develop electric fireplaces</li></ul>
2007	<ul style="list-style-type: none"><li>Our products obtained the certifications of the China Compulsory Certification mark, the CE marking and the GS mark</li><li>We obtained the OHSAS 18001 by SGS Hungaria Kft. Systems &amp; Services Certification</li><li>Our Allen 亚伦 brand was awarded the Famous Trademark of Fujian Province (福建省著名商標) by the Administration for Industry and Commerce of Fujian in respect of our home decor products</li></ul>
2008	<ul style="list-style-type: none"><li>We obtained the ISO14000 certification issued by SGS United Kingdom Ltd Systems &amp; Services Certification</li><li>We launched our electric fireplaces to the market under our own brand Allen (亚伦)</li></ul>
2010	<ul style="list-style-type: none"><li>We were recognised as a Well-known Enterprise of Fujian Province (福建省企業知名字號) by Administration of Industry and Commerce of Fujian Province</li></ul>

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| 2011 | <ul style="list-style-type: none"><li>• Our Allen (亚伦) brand was awarded the Well-known Trademark of the PRC (中國馳名商標) by the SAIC in respect of our home decor products</li><li>• We were granted as the Electric Fireplace Leading Brand in China (中國電壁爐市場領軍品牌) by China Industrial Association of Industrial Economics Research Centre and China Competitiveness Forum Summit Organising Committee</li><li>• Our “noble series” (小貴族系列) electric fireplace was awarded 2011 China Light Industry Exhibition Excellence Award (2011年中國輕工業精品展精品獎)</li><li>• We relocated our Wan An Production Facilities to our Luojiang Production Facilities</li><li>• We started to manufacture wood frames and mantels for our wood series electric fireplaces in our Luojiang Production Facilities</li></ul> |
| 2012 | <ul style="list-style-type: none"><li>• China Allen was awarded China Building Energy-Saving Innovative Recommended Brand (節能減排創新技術推薦品牌) by China Green Building Industry and Technology Innovation Strategy Alliance</li><li>• Our Allen (亚伦) brand was awarded the Famous Trademark of Fujian Province (福建省著名商標) by Administration for Industry and Commerce of Fujian in respect of our electric fireplaces</li><li>• We entered into cooperation agreement with a university in Fuzhou, Fujian Province to enhance electric fireplaces with infrared heating technology</li></ul>   |
| 2013 | <ul style="list-style-type: none"><li>• We entered into cooperation agreement with the University of Shanghai for Science and Technology (上海理工大學) to develop multi-functional electric fireplaces with air purification and air cooling functions</li></ul>   |

### CORPORATE HISTORY

#### Our Company

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on 7 July 2011. Please refer to the section headed “Statutory and General Information — Further information about our Company and its subsidiaries — 2. Changes in share capital of our Company” in Appendix VI to this prospectus for details of changes in the share capital of our Company. As a result of the Reorganisation, our Company became the holding company of our Group. The principal business of our Company is investment holding.

#### China Prosper

China Prosper is a company incorporated in the BVI on 30 December 2009 with an authorised share capital of 50,000 shares with a par value of US\$1.00 each.

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Upon incorporation, 50,000 shares were allotted and issued to Chen Fanglin at a consideration of US\$50,000.

On 12 October 2010, Chen Fanglin transferred 7,500 shares in China Prosper to Glory Alliance at a consideration of US\$7,500, and transferred 10,000 shares in China Prosper to Regal One at a consideration of US\$10,000.

On 8 November 2011, shareholders of China Prosper transferred all their shares in China Prosper to our Company as follows:

Transferor	Transferee	Number and percentage of shares transferred	Consideration
Chen Fanglin	Our Company	32,500 shares (65%)	US\$32,500
Regal One	Our Company	10,000 shares (20%)	US\$10,000
Glory Alliance	Our Company	7,500 shares (15%)	US\$7,500

As a result of the transfers made on 8 November 2011, China Prosper became a wholly-owned subsidiary of our Company. The principal business of China Prosper is investment holding.

### Allen International

Allen International is a company incorporated in Hong Kong on 1 February 2010 with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each.

Upon incorporation, one share of HK\$1.00 was allotted and issued to China Prosper as the subscriber of Allen International.

As a result of the Reorganisation, Allen International became our indirect wholly-owned subsidiary. The principal business of Allen International is investment holding.

### China Allen

China Allen is a limited liability company established in the PRC on 2 September 1993 with a registered capital of RMB3,000,000 by Haibin Enterprise and Silver Cord on equal shareholding.

On 18 March 1997, the registered capital of China Allen was increased to RMB15,000,000, and the increased portion of the registered capital was contributed by Silver Cord. Consequently, China Allen was owned as to 10% by Haibin Enterprise and 90% by Silver Cord.

On 13 November 1997, Silver Cord transferred the 90% equity interests in China Allen to Allen Arts (H.K.) at a consideration of RMB13,500,000 by reference to the then registered capital of China Allen. Allen Arts (H.K.) was then wholly-owned by Chen Fanglin. Consequently, China Allen was owned as to 10% by Haibin Enterprise and 90% by Allen Arts (H.K.).

On 17 March 1998, Haibin Enterprise transferred the 10% equity interests in China Allen to Allen Arts (H.K.) at a consideration of RMB1,500,000 by reference to the then registered capital of China Allen. Consequently, China Allen was wholly-owned by Allen Arts (H.K.).

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On 18 March 1998, the registered capital of China Allen was increased to RMB50,000,000 and Allen Arts (H.K.) remained the sole shareholder of China Allen.

On 7 November 2008, the registered capital of China Allen was further increased to RMB150,000,000.

On 16 July 2010, Allen Arts (H.K.) transferred all the equity interests in China Allen to Allen International at a consideration of RMB150,000,000, being the amount of the registered capital of China Allen. Consequently, China Allen was wholly-owned by Allen International.

As a result of the Reorganisation, China Allen became our indirect wholly-owned subsidiary. The principal business of China Allen is manufacturing and sales of home decor products.

### **Fujian Allen**

Fujian Allen is a limited liability company established in the PRC on 19 February 1997 with a registered capital of HK\$21,000,000, which was contributed by Allen Arts (H.K.).

On 28 December 2007, the registered capital of Fujian Allen was increased to HK\$56,000,000.

On 16 July 2010, Allen Arts (H.K.) transferred the 100% equity interests in Fujian Allen to Allen International at a consideration of HK\$56,000,000, being the then registered capital of Fujian Allen.

On 8 June 2013, the registered capital of Fujian Allen was increased to HK\$96,000,000.

On 7 August 2013, the registered capital of Fujian Allen was increased to HK\$110,000,000.

On 20 September 2013, the registered capital of Fujian Allen was further increased to HK\$187,000,000.

As a result of the Reorganisation, Fujian Allen became our indirect wholly-owned subsidiary. The principal business of Fujian Allen is manufacturing and sales of electric fireplace.

### **Quanzhou Allen**

Quanzhou Allen is a limited liability company established in the PRC on 27 September 2001 with a registered capital of US\$3,500,000, which was contributed by Allen Arts (H.K.).

On 1 August 2002, the registered capital was increased to US\$10,000,000.

On 16 July 2010, Allen Arts (H.K.) transferred the 100% equity interests in Quanzhou Allen to Allen International at a consideration of US\$10,000,000, being the registered capital of Quanzhou Allen.

As a result of the Reorganisation, Quanzhou Allen became our indirect wholly-owned subsidiary. The principal business of Quanzhou Allen is manufacturing and sales of home decor products.

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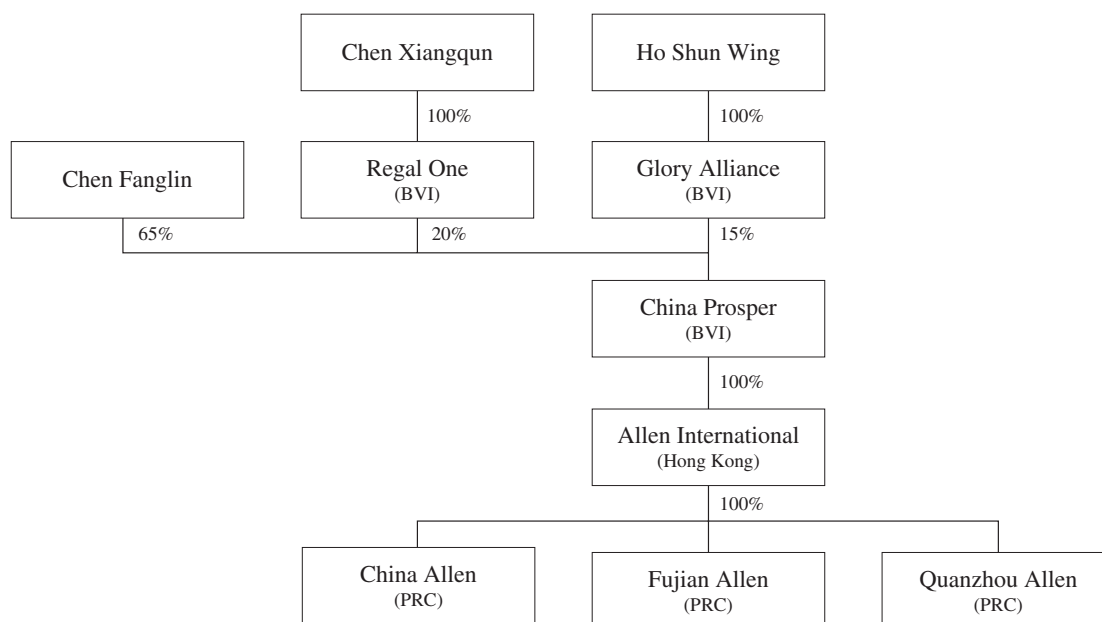
## HISTORY AND DEVELOPMENT

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### REORGANISATION

The following chart sets out the corporate and shareholding structure of our Group immediately prior to the Reorganisation:

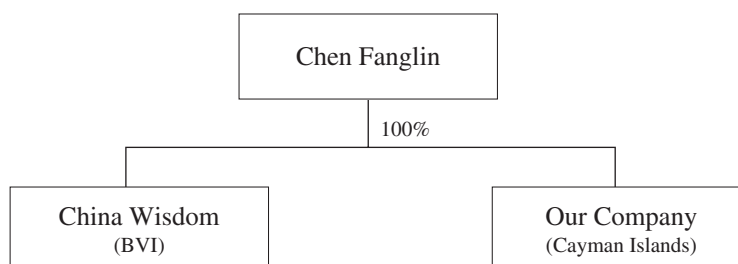
**A.**



*Note:*

Chen Fanglin is our Chairman and an executive Director and he is also the husband of Chen Xiangqun. Ho Shun Wing is an Independent Third Party.

**B.**



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We underwent the Reorganisation in preparation for the listing of our Shares on the Stock Exchange which involve the following major steps:

### Transfer and allotment of shares by China Wisdom

On 18 October 2011, Chen Fanglin transferred the one share of US\$1.00 in China Wisdom to Central Profit for cash at par.

On the same date, China Wisdom allotted and issued shares of US\$1.00 each to the following persons:

Shareholder	Number of shares allotted	Consideration
Central Profit	32,499 shares	US\$32,499
Regal One	10,000 shares	US\$10,000
Glory Alliance	7,500 shares	US\$7,500

Upon completion of this transfer and allotment, our Company is owned by Central Profit as to 65%, Regal One as to 20% and Glory Alliance as to 15%.

### Acquisition of China Prosper by our Company

On 8 November 2011, the shareholders of China Prosper transferred all of their respective shareholdings in China Prosper to our Company.

### Transfer of share in our Company to China Wisdom

On 22 March 2012, Chen Fanglin transferred one Share, being the entire issued share capital, in our Company to China Wisdom at HK\$0.0001.

## PRE-IPO INVESTMENTS

### Overview

On 11 April 2013 and 27 June 2013, China Wisdom entered into exchangeable bond subscription agreement with each of Ocean Equity and Clear Zone respectively. Pursuant to these subscription agreements, China Wisdom agreed to issue exchangeable bonds (the “**Bonds**”) to each of Ocean Equity and Clear Zone. The Bonds are to be automatically exchanged for our Shares upon Listing. Upon full exchange, Ocean Equity and Clear Zone will be interested in approximately 5.3% and 5.3% respectively of our Company upon Listing (assuming the Over-allotment Option is not exercised).

### Background of the pre-IPO investors

Ocean Equity is an exempted limited partnership registered in the Cayman Islands and is principally engaged in the business of investing into private enterprises in mainland China. To the knowledge of our Directors, the limited partners of Ocean Equity are Independent Third Parties. Ocean Equity is an investment fund focusing in the traditional sectors like consumer goods, manufacturing, new energy and telecom, media and technology in China. Ocean Equity was introduced to our Company through business acquaintance of Chen Fanglin.

## HISTORY AND DEVELOPMENT

Clear Zone is a company incorporated in the BVI. The ultimate sole beneficial owner of Clear Zone is VMS Investment Group Limited which is a private equity firm founded in October 2006. Its businesses cover proprietary investments, asset management, securities brokerage and corporate advisory services. It has assets under active management and advisory exceeding US\$1.0 billion. To the knowledge of our Directors, the ultimate beneficial owners of Clear Zone are Independent Third Parties. Clear Zone got in touch with our Company through business acquaintance of Chen Fanglin.

We believe the issue of the Bonds would broaden our shareholders' base and assist us in developing business opportunities with potential customers.

To the knowledge of our Directors, the ultimate beneficial shareholders of Ocean Equity and Clear Zone are Independent Third Parties, and Ocean Equity and Clear Zone are not connected with and independent from each other.

### Principal terms of the pre-IPO investments

Date of subscription agreement	Subscriber of the Bonds	Principal amount for the Bonds	Date of full payment of the subscription price of the Bonds	Number and approximate percentage of shareholding upon Listing (note)	Approximate cost of investment	Approximate percentage of discount to the mid-point Offer Price
11 April 2013	Ocean Equity	US\$10,000,000	24 April 2013	95,674,410 Shares (5.3%)	HK\$0.81	61.0%
27 June 2013	Clear Zone	US\$10,000,000	3 July 2013	95,674,410 Shares (5.3%)	HK\$0.81	61.0%

*Note:* Assuming the Over-allotment Option is not exercised.

### Principal terms of the Bonds

The terms of the Bonds, including but not limited to the interest rate and the number of Shares to be exchanged, were arrived at between the parties based on arm's length negotiation with reference to our financial performance and future prospects. The principal terms of the Bonds are as follows:

	<i>Ocean Equity</i>	<i>Clear Zone</i>
Date of issue:	24 April 2013	3 July 2013
Aggregate principal amount:	US\$10,000,000	US\$10,000,000
Interest:	3% per annum	3% per annum
Interest payment date:	Interest is payable annually in arrears on the last day of each 12-month period	

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**Maturity date:** On the third anniversary of the issue date. Ocean Equity and Clear Zone may at their sole discretion, by giving not less than three business day's written notice, agreeing to extend the maturity date for another 12 months (the "**Extended Maturity Date**")

**Right to exchange:** Ocean Equity and Clear Zone have the right to exchange the Bonds for Shares at any time up to the Maturity Date, or the Extended Maturity Date. Ocean Equity and Clear Zone have no present intention to exercise the right to exchange the Bonds for Shares before the Listing is granted

**Automatic exchange:** In the event the Company completes a Qualified IPO (as defined below) on or before the Maturity Date or, if applicable, the Extended Maturity Date, the whole principal amount of the Bonds shall be automatically exchanged into Shares immediately before the completion of the Qualified IPO

**Number of Shares to be exchanged:** The number of Shares to be transferred to each of Ocean Equity and Clear Zone upon exchange will be determined in the following manner:

- (a) In the event that "Z" is less than or equal to 0.052, "n" shall be equal to the result of "b" times 0.052
- (b) In the event that "Z" is more than 0.052, "n" shall be the result of "X" times "b" divided by "Y"

Where:

$$Z = \frac{X}{Y}$$

Where:

"n" = number of shares to be transferred upon exchanged (on post-money basis)

"b" = the total number of the issued Shares of our Company upon a Qualified IPO

"X" = the aggregate principal amount of the Bonds to be converted



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## HISTORY AND DEVELOPMENT

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“Y” = the amount of net profit after tax for the year ended 2012 on group consolidated basis audited under International Financial Reporting Standards multiplied by 4.5

The amount denominated in US\$ will be converted into RMB for the purpose of calculation of the number of Shares to be transferred upon exchange is US\$1.00: RMB6.2578. No fractional Shares shall be transferred upon exchange of the Bonds.

Events of default:

- (a) Default in the due observance or performance of any term, covenant, undertaking or agreement contained in the exchangeable subscription agreements and the documents contemplated therein;
- (b) Any warranties and representations is false or misleading in any material respect;
- (c) Failure to comply with the financial undertakings;
- (d) Stops or suspends payments to its creditors generally or is unable or admits its inability to pay its debts as they fall due or seeks to enter into any arrangements with its creditors or is declared or becomes bankrupt or insolvent;
- (e) The occurrence of a bankruptcy event.

Upon the occurrence of an event of default and notice of event of default given by the holders of the Bonds, the Bonds will become due and repayable on the 10th business day after the date of such notice at the redemption amount.

The redemption amount shall be calculated in the following manner:

$$\text{Redemption amount} = P \times (1 + 14\%)^n$$

Where:

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

“n” = the number of year from the issue date to the redemption date

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“A Qualified IPO” means a public offering by our Company of its Shares (i) on the Stock Exchange or any other internationally recognised stock exchange as approved by Ocean Equity and Clear Zone; and (ii) has a market capitalisation of US\$400,000,000 after the offering.

### ***Guarantee IRR***

China Wisdom covenants and agrees to guarantee that upon the holders of the Bonds becoming a shareholder of our Company, the holder of the Bonds shall be guaranteed an IRR of 25% (the “**Guarantee IRR**”) at the completion of the Qualified IPO. If the aggregate value of the Shares exchanged under the Bonds is less than the Guarantee IRR upon the Listing, China Wisdom shall pay, within two business days to the holders of the Bonds such amount, equivalent to the shortfall between the Guarantee IRR and the Offer Price, in the form of cash to ensure the Guarantee IRR.

“IRR” means the internal rate of return being the annual rate based on a 360-day period used to discount each cash flow in respect of the Bonds (such cash flow to include the subscription consideration, cash dividends and distributions received, the interest payment, any payments under the Bonds and cash received from redemption of the Bonds) to the date of first issuance of the Bonds such that the present value of the aggregate cash flow equals zero. In connection with any calculation, the IRR shall be calculated with reference to the period from the date of the first issuance of the Bonds to the date on which the relevant payment is made in full.

Based on the current indicative Offer Price range of HK\$1.80 to HK\$2.35, the aggregate value of Shares exchanged under the Bond is expected to exceed the Guarantee IRR upon the Listing.

### ***Security***

In connection with the issue of the Bonds, the following charge and guarantee were provided in favour of Ocean Equity and Clear Zone:

- (a) the charge over shares of China Wisdom dated 24 April 2013 executed and delivered by Central Profit in favour of Ocean Equity to charge to Ocean Equity its legal and beneficial interests in and to the issued and outstanding equity in China Wisdom;
- (b) the charge over shares of China Wisdom dated 3 July 2013 executed and delivered by Central Profit in favour of Ocean Equity to charge to Ocean Equity its legal and beneficial interests in and to the issued and outstanding equity in China Wisdom;
- (c) the personal guarantee dated 3 July 2013 given by Chen Fanglin in favour of Ocean Equity to guarantee the due and punctual performance and observance of China Wisdom and each of the members of our Group;
- (d) the charge over shares of China Wisdom dated 3 July 2013 executed and delivered by Central Profit in favour of Clear Zone to charge to Clear Zone its legal and beneficial interests in and to the issued and outstanding equity in China Wisdom; and
- (e) the personal guarantee dated 3 July 2013 given by Chen Fanglin in favour of Clear Zone to guarantee the due and punctual performance and observance of China Wisdom and each of the members of our Group.

All these share charges (except item (a), which was released on 3 July 2013) and personal guarantee will be fully discharged and released upon Listing.

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### **Special rights**

All the special rights granted to Ocean Equity and Clear Zone under the Exchange Subscription Agreement and the ancillary documents will be terminated and lapsed automatically upon Listing. These special rights include:

### ***Information rights***

We shall deliver to Ocean Equity and Clear Zone the following with respect to our Company and our subsidiaries:

- (a) monthly management accounts within 20 days after the end of each month;
- (b) unaudited consolidated balance sheet, statement of profit and loss and statement of cash flows, statement of financial positions and other financial statements for each quarter within 40 days after the end of each quarter;
- (c) annual consolidated financial statement within 45 days after the end of each fiscal year;
- (d) annual consolidated operating budget and strategic and business plan for the following fiscal year within 30 days prior to the end of each fiscal year; and
- (e) any other information relating to the operation and finance that Ocean Equity and Clear Zone may wish to know or may be of interest.

### ***Inspection rights***

Ocean Equity and Clear Zone or their respective appointees shall have the right to inspect the properties and facilities of members of our Group and our joint ventures, and have access to and examine copy of all our books or accounts.

### ***Profit guarantee***

China Wisdom guarantees that our Company shall achieve net profit for 2013 and 2014 as 1.25 times of the audited net profit after tax of the previous year. In the event that the actual realised net profit fails to meet such profit guaranteed, China Wisdom shall transfer additional Shares to Ocean Equity and Clear Zone.

### ***Right to participation in new securities***

Ocean Equity and Clear Zone shall have the pre-emptive right to subscribe for such a pro rata share of all or any part of any new Shares that our Company may from time to time issue.

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

China Wisdom shall not without the prior written approval of Ocean Equity and Clear Zone transfer or otherwise dispose of or create any new mortgage, charge, pledge, lien or other encumbrance, third party rights or security interest in respect of all or any of the Shares. In the case that China Wisdom propose to do so, it shall promptly give a written notice (the “**Notice**”) to our Company, Ocean Equity and Clear Zone giving reasonable details of the proposed sale or transfer. Ocean Equity and Clear Zone shall be given a right of first refusal to purchase all or part of the Shares China Wisdom proposes to transfer on a pro rata basis.

### *Co-sale right*

If Ocean Equity and Clear Zone have not exercised their rights of first refusal and China Wisdom proceeds to sell the Shares to a prospective transferee, Ocean Equity and Clear Zone who have exchanged the Bonds for Shares shall have the right to sell their Shares to the prospective transferee at the same price and upon the same terms and conditions as stated in the Notice.

If China Wisdom sells any Shares in contravention as stated above, Ocean Equity and Clear Zone shall have the right to sell to China Wisdom the type and number of Shares equal to the number of Shares Ocean Equity and Clear Zone would have been entitled to transfer such Shares to the purchaser at a price assessed by a third party professional valuation firm jointly appointed by China Wisdom, Ocean Equity and Clear Zone.

### *Negative covenants*

Without the prior consents from Ocean Equity and Clear Zone, our Group shall not conduct certain transactions including:

- (a) merger with another entity;
- (b) amendment of the constitutional documents;
- (c) incurrence of any indebtedness other than (i) the Bonds; (ii) intra-group indebtedness; (iii) money borrowed for redeeming the Bonds and (iv) indebtedness incurred as a result of dividend declarations;
- (d) increase of indebtedness if immediately thereafter the indebtedness for borrowed money which is interest-bearing of our Group on a consolidated basis would exceed RMB300,000,000 other than the exceptions stated in paragraph (c) above;
- (e) appointment of senior management personnel;
- (f) dismissal of the auditor of our Group;
- (g) entering into related party transaction which is not (i) on an arm’s length basis; and/or (ii) on usual commercial terms and (iii) which in aggregate (taking with all other such transactions in the same financial year) exceeds RMB1.0 million for the relevant financial year;
- (h) appointment and dismissal of the chief financial officer;
- (i) provision of any guarantees to third parties (other than intra-group guarantees) under the contingent liabilities of our Group would exceed RMB10.0 million;

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- (j) loan from any Group member to shareholders or directors, key management personnel and their affiliates exceeding RMB5,000,000;
- (k) entering into any joint venture or shareholders' agreement; and
- (l) share consolidation and reduction of share capital.

### ***Failure to listing***

If the Qualified IPO does not complete by 30 June 2014, it should be procured that by 30 June 2014, 2015 and 2016, net profit after tax of China Allen, Fujian Allen and Quanzhou Allen with an amount representing at least one-third of the aggregate sum of the principal amount of the Bonds and the Guarantee IRR shall be declared and paid as dividend, and such fund shall be applied to redeem the Bonds, payment and settle of interest, payment, costs and fees payable to Ocean Equity and Clear Zone under the Bonds.

### **Proceeds**

The proceeds from the issue of the Bonds shall be used for the expansion of our production facilities, strengthen our design and development capabilities with institutes and universities and payments for professional fees and expenses of the Listing. As of the Latest Practicable Date, up to approximately USD 6.3 million of the proceeds from the issue of the Bonds had been utilised.

### **The Listing is not a Qualified IPO**

In the event that the Listing is not a Qualified IPO, the calculation of the Guarantee IRR and the number of Shares to be exchanged will follow the same formula as if the Listing were a Qualified IPO, and the shortfall in the value of the Shares exchanged will be compensated in the form of cash through the Guarantee IRR by China Wisdom.

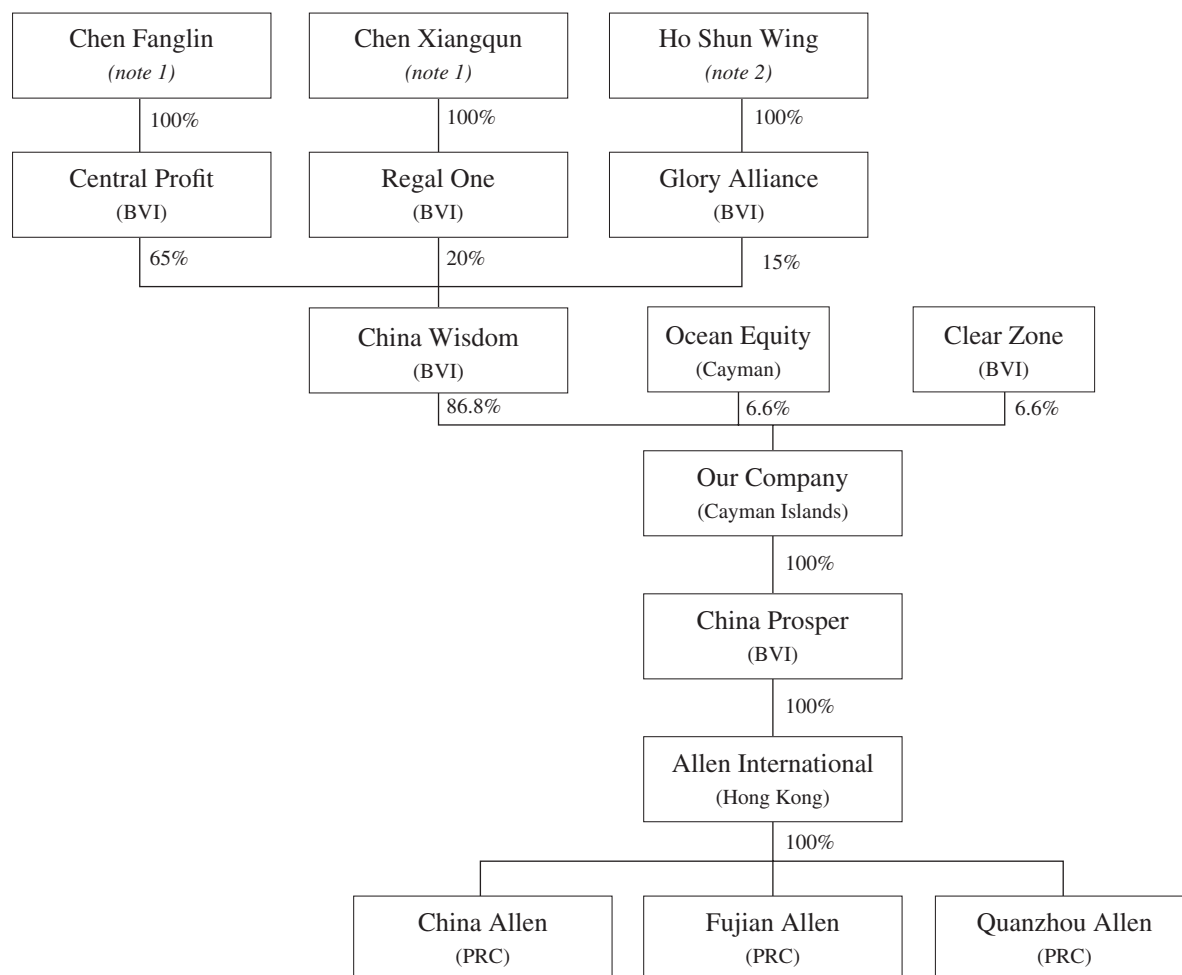
### **Other matters**

The Shares to be exchanged under the Bonds and held by Ocean Equity and Clear Zone will not be subject to any lock-up requirements, and they will be counted towards to public float after the Listing for purpose of Rule 8.08 of the Listing Rules. As of the Latest Practicable Dates, none of the Bonds or any part of them had been exchanged for Shares.

Since the subscription price for the Bonds by Ocean Equity was fully settled on 24 April 2013 and the subscription price for the Bonds by Clear Zone was fully settled on 3 July 2013, the Sole Sponsor is of the view that the issue of the Bonds are in compliance with the Interim Guidance on pre-IPO investments (HKEx-GL29-12) issued by the Stock Exchange.

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The following chart sets out our corporate and shareholding structure immediately after the Bonds are fully exchanged:

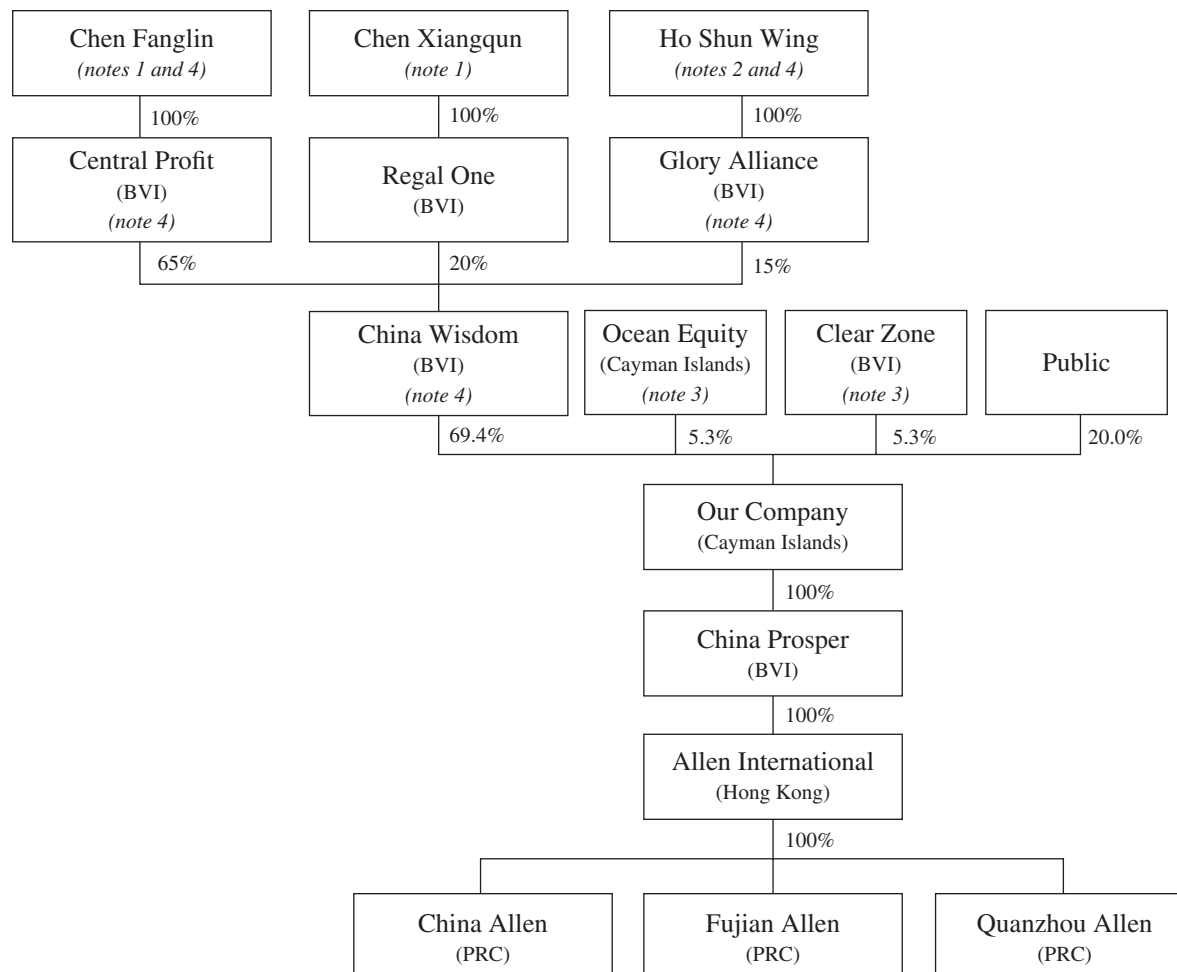


*Notes:*

- (1) Chen Fanglin is our Chairman and an executive Director and he is also the husband of Chen Xiangqun.
- (2) Ho Shun Wing is an Independent Third Party.

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The following chart sets out our corporate and shareholding structure immediately after the completion of the Capitalisation Issue and the Global Offering, assuming the Over-allotment Option has not been exercised:



*Notes:*

- (1) Chen Fanglin is our Chairman and an executive Director and he is also the husband of Chen Xiangqun.
- (2) Ho Shun Wing is an Independent Third Party.
- (3) The Shares held by Ocean Equity and Clear Zone form part of the public float for purpose of Rule 8.08 of the Listing Rules.
- (4) Please refer to the paragraph headed “Undertakings to transfer Shares after Listing” below in relation to the undertakings entered into amongst Chen Fanglin, Central Profit, Ho Shun Wing, Glory Alliance and China Wisdom, pursuant to which China Wisdom will transfer certain percentage of our Shares to Ho Shun Wing upon the expiry of six months from the Listing Date.

If the Over-allotment Option is exercised in full, the shareholding percentage of other public Shareholders will increase to approximately 22.4% and the shareholding percentage of China Wisdom, Ocean Equity and Clear Zone will decrease to approximately 67.4%, 5.1% and 5.1%, respectively.

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### PRC LEGAL COMPLIANCE

Our PRC Legal Adviser confirmed that no approval from the CSRC for the Reorganisation and to list our securities in an overseas stock exchange is required. Given that Chen Fanglin and Chen Xiangqun are PRC residents, they are required to carry out the foreign exchange registration with local foreign exchange authority under the No. 75 Notice. Please refer to the section headed “Summary of Principal Legal and Regulatory Provisions — Overseas investment by domestic residents” in this prospectus. Chen Fanglin and Chen Xiangqun completed the registration under the No. 75 Notice on 26 August 2013.

Our PRC Legal Adviser confirmed that all approvals, permits and licences required under the PRC laws and regulations in connection with the Reorganisation and the establishment, equity interests transfers and increase of registered capital of China Allen, Fujian Allen and Quanzhou Allen have been obtained, and the Reorganisation has complied with all relevant PRC laws and regulations.

### UNDERTAKINGS TO TRANSFER SHARES AFTER LISTING

Pursuant to the undertakings entered into amongst Chen Fanglin, Central Profit, Ho Shun Wing, Glory Alliance and China Wisdom on 6 December 2013, the parties agree and undertake that upon the expiry of six months from the Listing Date:

- (a) China Wisdom will transfer such percentage of our Shares to Ho Shun Wing (or such person(s) as he may direct in writing) calculated according to the following formula at a consideration of HK\$1.00:

$$A\% = B\% \times C\%$$

where “A” means the percentage of our Shares to be transferred by China Wisdom to Ho Shun Wing (or such person(s) as he may direct in writing)

“B” means the shareholding of China Wisdom in our Company upon completion of the Global Offering (taking into account any Shares that may be issued pursuant to the exercise of the Over-allotment Option)

“C” means the shareholding of Glory Alliance in China Wisdom

- (b) Glory Alliance will transfer all its shareholding in China Wisdom to Central Profit (or such person(s) as it may direct in writing) at a consideration of HK\$1.00.

Upon completion of the aforesaid transfers, Glory Alliance will no longer be a shareholder of China Wisdom.