
HISTORY, REORGANISATION AND CORPORATE STRUCTURE

HISTORY AND DEVELOPMENT

Overview

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

Our business development

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

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

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

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

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

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

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

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

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

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

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

Our milestones

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

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

Note:

[^] brands are arranged in alphabetical order

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Corporate development of our major subsidiaries

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

BPT (HK)

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

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

New Horizon Elastic

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

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

Dongguan BPT

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

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

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

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

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

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

Dongguan NHE

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

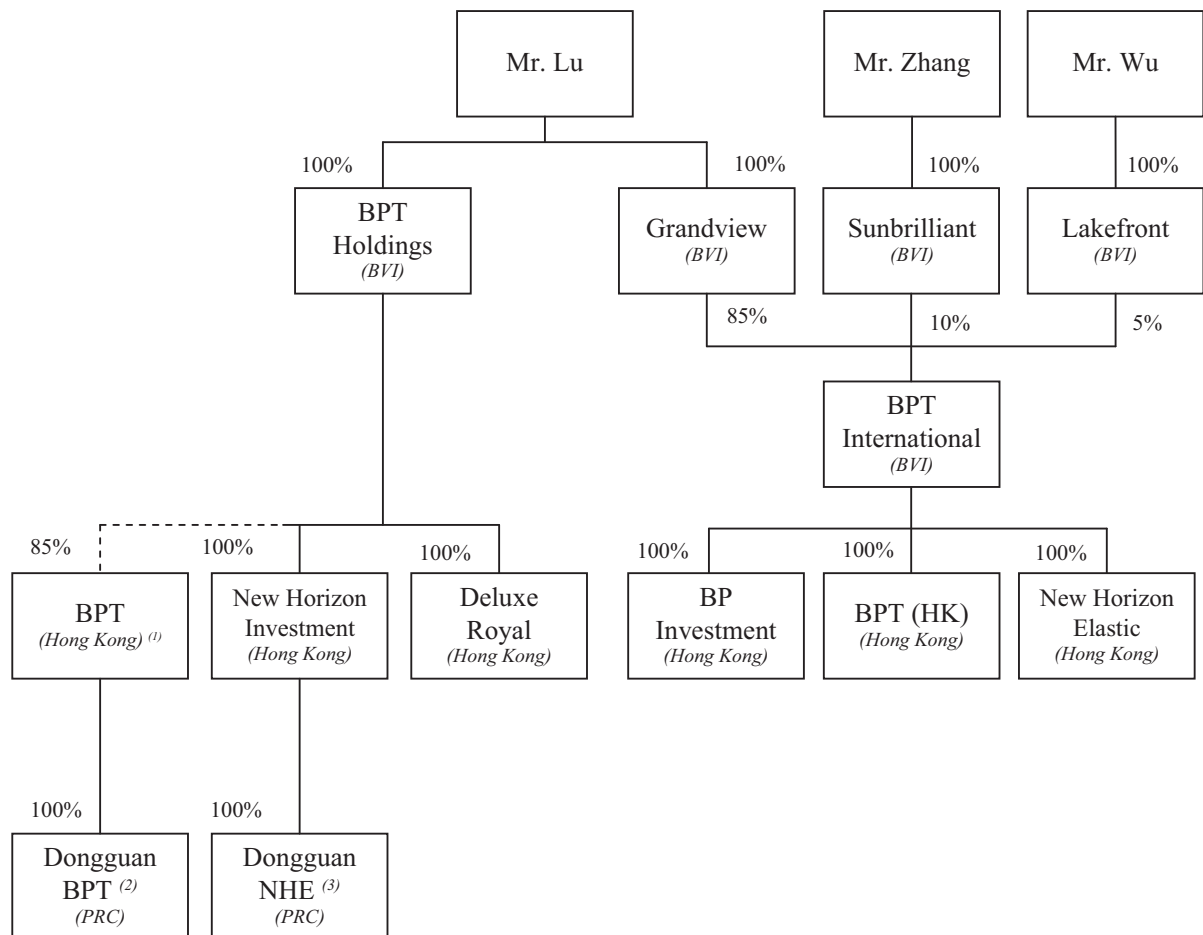
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By way of three equipment transfer agreements dated 5 February 2011, 28 May 2012 and 16 July 2012 entered into between Dongguan NHE and Dongguan Runda, Dongguan NHE agreed to acquire certain assets (which included vehicles, machinery, electronic equipment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

REORGANISATION

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

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



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Notes:

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

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

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

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

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

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

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

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

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

Acquisition of remaining interest in BPT International

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

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

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

Acquisition of BPT Holdings

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

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

Disposal of Deluxe Royal

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

Acquisition of BPT

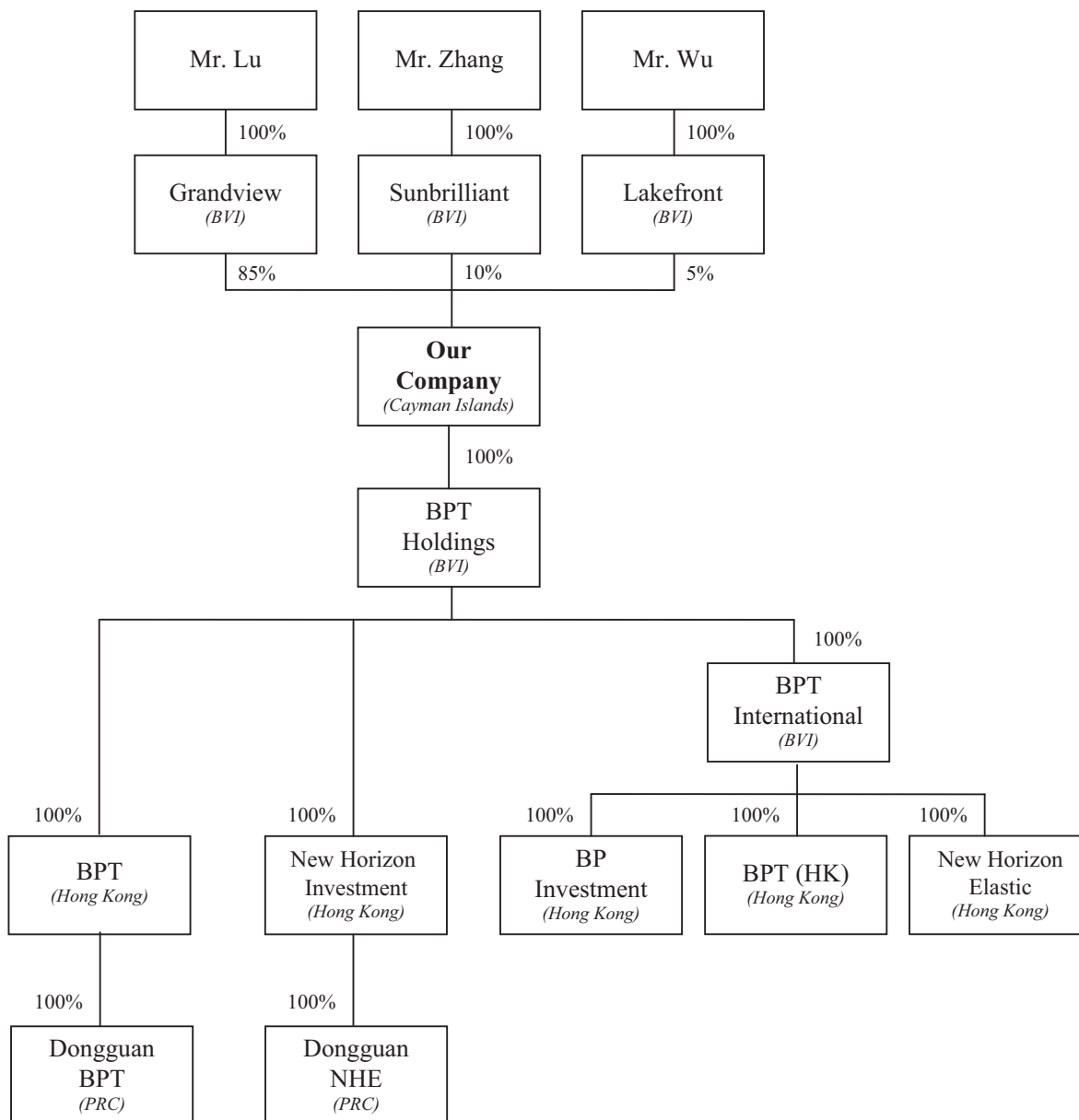
Prior to the Reorganisation, BPT was an investment holding company and was held on trust as to 85% by Mr. Lu Canping (Mr. Lu's nephew) for BPT Holdings (which was wholly-owned by Mr. Lu), 10% by Mr. Lu Canping for Mr. Zhang, 4.99% by Mr. Lu Canping for Mr. Wu and 0.01% by Mr. Lu Jianye (Mr. Lu's cousin)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

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

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

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



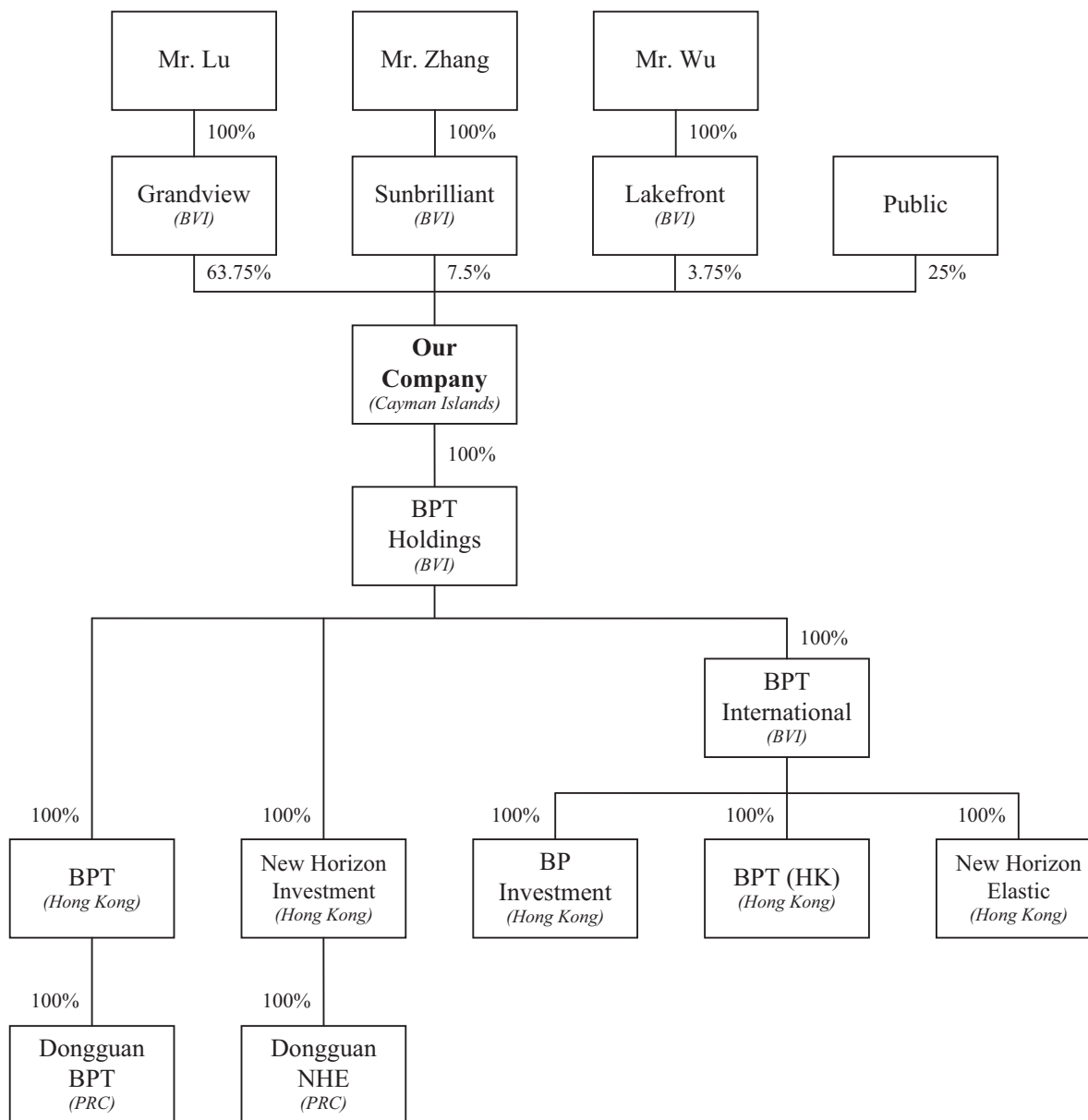
CAPITALISATION ISSUE

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

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CORPORATE STRUCTURE

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



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

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

PRC LEGAL COMPLIANCE

Registration with the SAFE

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

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

The M&A Provisions

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

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