

China Partytime Culture Holdings Limited

中國派對文化控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1532



GLOBAL OFFERING

Sole Sponsor



中投證券(香港)
CHINA INVESTMENT SECURITIES (HK)

Sole Global Coordinator



中投證券(香港)
CHINA INVESTMENT SECURITIES (HK)

Joint Bookrunners and Joint Lead Managers



中投證券(香港)
CHINA INVESTMENT SECURITIES (HK)



中国平安證券(香港)
PING AN OF CHINA SECURITIES (HONG KONG)



東方證券(香港)有限公司
ORIENT SECURITIES (HONG KONG) LIMITED

IMPORTANT

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

China Partytime Culture Holdings Limited

中國派對文化控股有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Shares offered under the : 187,500,000 Shares (subject to the
Global Offering Over-allotment Option)
Number of International Placing Shares : 168,750,000 Shares (subject to reallocation
and the Over-allotment Option)
Number of Hong Kong Offer Shares : 18,750,000 Shares (subject to reallocation)
Maximum Offer Price : HK\$1.13 per Offer Share, plus brokerage of
1%, SFC transaction levy of 0.0027% and
Stock Exchange trading fee of 0.005%
(payable in full on application in Hong Kong
dollars and subject to refund on final
pricing)
Nominal value : HK\$0.01 per Share
Stock code : 1532

Sole Sponsor



中投證券(香港)
CHINA INVESTMENT SECURITIES (HK)

China Investment Securities International Capital Limited

Sole Global Coordinator



中投證券(香港)
CHINA INVESTMENT SECURITIES (HK)

China Investment Securities International Brokerage Limited

Joint Bookrunners and Joint Lead Managers



China Investment Securities
International Brokerage Limited



中国平安
PING AN OF CHINA SECURITIES (HONG KONG)

Ping An of China Securities
(Hong Kong) Company Limited



東方證券(香港)有限公司
ORIENT SECURITIES (HONG KONG) LIMITED

Orient Securities
(Hong Kong) Limited

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

A copy of this prospectus, with the documents specified in the section headed "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection" in Appendix VI to this prospectus, has been registered with the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Tuesday, 6 October 2015 or such later date as may be agreed by the Sole Global Coordinator and our Company, but in any event not later than Friday, 9 October 2015. The Offer Price will not be more than HK\$1.13 per Offer Share and is currently expected to be not less than HK\$0.93 per Offer Share unless otherwise announced. Investors applying for Hong Kong Offer Shares must pay, on application, the maximum Offer Price of HK\$1.13 for each Offer Share together with brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is lower than HK\$1.13.

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may, with consent of our Company, reduce the indicative Offer Price range stated in this prospectus and/or the number of Offer Shares being offered at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such case, a notice of reduction of the indicative Offer Price range will be announced on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.partytime.com.cn not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. If applications for Hong Kong Offer Shares have been submitted prior to the last day for lodging applications under the Hong Kong Public Offering, then even if the Offer Price is so reduced, such applications cannot subsequently be withdrawn. Further details are set out in the sections headed "Structure of the Global Offering" and "How to Apply for the Hong Kong Offer Shares" in this prospectus.

If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company on or before Friday, 9 October 2015, the Global Offering will not become unconditional and will lapse immediately.

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

Prospective investors of the Hong Kong Offer Shares should note that the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe, and to procure subscribers to subscribe for, the Hong Kong Offer Shares, are subject to termination by the Sole Global Coordinator (for itself and on behalf of the Underwriters) if certain events shall occur prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Further details of the terms of such provisions are set out in the section headed "Underwriting" in this prospectus.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States or to, or for the account or benefit of US persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirement under the U.S. Securities Act.

30 September 2015

EXPECTED TIMETABLE⁽¹⁾

Latest time to complete electronic applications under the HK eIPO White Form service through the designated website at www.hkeipo.hk ⁽²⁾	11:30 a.m. on Tuesday, 6 October 2015
Application lists open ⁽³⁾	11:45 a.m. on Tuesday, 6 October 2015
Latest time for lodging WHITE and YELLOW Application Forms and giving electronic application instructions to HKSCC ⁽⁴⁾	12:00 noon on Tuesday, 6 October 2015
Latest time to complete payment of HK eIPO White Form applications by effecting internet banking transfers(s) or PPS payment transfer(s).	12:00 noon on Tuesday, 6 October 2015
Application lists of the Hong Kong Public Offering close ⁽³⁾	12:00 noon on Tuesday, 6 October 2015
Expected Price Determination Date ⁽⁵⁾	Tuesday, 6 October 2015
Announcement of the final Offer Price, the levels of indication of interest in the International Placing, the level of applications in respect of the Hong Kong Public Offering and the basis of allotment of the Hong Kong Offer Shares under the Hong Kong Public Offering to be published on the website of our Company at www.partytime.com.cn ⁽⁶⁾ and on the website of the Stock Exchange at www.hkexnews.hk and in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese)	Thursday, 15 October 2015
Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels as described in the section headed "How to Apply for the Hong Kong Offer Shares" from	Thursday, 15 October 2015
Results of allocations in the Hong Kong Public Offering will be available at www.tricor.com.hk/ipo/result with a "search by ID Number/Business Registration Number" function from	Thursday, 15 October 2015
Despatch/Collection of Share certificates in respect of wholly or partially successful Applications pursuant to the Hong Kong Public Offering on or before ⁽⁷⁾	Thursday, 15 October 2015

EXPECTED TIMETABLE⁽¹⁾

Despatch/Collection of **HK eIPO White Form** e-Auto Refund payment instructions/refund cheques in respect of wholly successful (if applicable) or wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before⁽⁸⁾ Thursday, 15 October 2015

Dealings in Shares on the Main Board of the Stock Exchange expected to commence at 9:00 a.m. on Friday, 16 October 2015

Notes:

- (1) All times refer to Hong Kong local time. Details of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure of the Global Offering” in this prospectus. If there is any change in this expected timetable, an announcement will be published on the website of our Company at www.partytime.com.cn and the website of the Stock Exchange at www.hkexnews.hk.
- (2) You will not be permitted to submit your application through the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 6 October 2015, the application lists will not open or close on that day. Please see the section headed “How to Apply for the Hong Kong Offer Shares — 10. Effect of Bad Weather on the Opening of the Application Lists” in this prospectus. If the application lists do not open and close on Tuesday, 6 October 2015, the dates mentioned in this section headed “Expected Timetable” may be affected. We will make a press announcement in such event.
- (4) Applicants who apply for the Hong Kong Offer Shares by giving electronic application instructions to HKSCC should see the section headed “How to Apply for the Hong Kong Offer Shares — 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS” in this prospectus.
- (5) The Price Determination Date, being the date on which the Offer Price is to be determined, is expected to be on or about Tuesday, 6 October 2015 and, in any event, not later than Friday, 9 October 2015. If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company by Friday, 9 October 2015, the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse immediately.
- (6) None of the website or any information contained on the website forms part of this prospectus.
- (7) Applicants who apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required in their Application Forms that they may collect Share certificates (if applicable) and refund cheques (if applicable) in person may do so from our Hong Kong Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, 15 October 2015 or any other date notified by us as the date of despatch of Share certificates/e-Auto Refund payment instructions/refund cheques. Applicants being individuals who opt for personal collection must not authorise any other person to make their collection on their behalf. Applicants being corporations who opt for personal collection must attend by sending their authorised representatives each bearing a letter of authorisation from his corporation stamped with the corporation’s chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Share Registrar.

EXPECTED TIMETABLE⁽¹⁾

Applicants who have applied on YELLOW Application Forms may collect their refund cheque (if applicable) in person but may not collect their Share certificates, which will be deposited into CCASS for the credit of their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. Uncollected Share certificates and refund cheques (if any) will be despatched by ordinary post at the applicant's own risk to the address specified in the relevant Application Form. For further information, applicants should refer to the section headed "How to Apply for the Hong Kong Offer Shares — 14. Despatch/Collection of Share Certificates and Refund Monies" in this prospectus.

- (8) e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications and also in respect of successful applications in the event that the Offer Price is less than the initial price per Hong Kong Offer Share payable on application. Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party to facilitate your refund. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of your refund cheque or may invalidate your refund cheque. Further information is set out in the section headed "How to Apply for the Hong Kong Offer Shares" in this prospectus.

Applicants who apply through the **HK eIPO White Form** service and paid their applications monies through single bank account may have refund monies (if any) despatched to their application payment bank account, in the form of e-Auto Refund payment instructions. Applicants who apply through the **HK eIPO White Form** service and paid their application monies through multiple bank accounts may have refund monies (if any) despatched to the address as specified in their application instructions to the **HK eIPO White Form** Services Provider, in the form of refund cheques, by ordinary post at their own risk.

Share certificates will only become valid certificates of title provided that the Hong Kong Public Offering has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of their Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk.

Particulars of the structure of the Global Offering, including the conditions thereto, are set out in the section headed "Structure of the Global Offering" in this prospectus. Details relating to how to apply for the Hong Kong Offer Shares are set out in the section headed "How to Apply for the Hong Kong Offer Shares" in this prospectus.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Hong Kong Public Offering and Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by us, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor, any of the Underwriters, any of their respective directors, officers, representatives or advisers or any other person involved in the Global Offering. Information contained on our website, located at www.partytime.com.cn, does not form part of this prospectus.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. Since it is a summary, it does not contain all the information that may be important to you. You should read the 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 our Shares.

OVERVIEW OF OUR BUSINESS

We design, develop, produce, sell and market cosplay products (including cosplay costumes and cosplay wigs) and non-cosplay apparels including mainly sexy lingerie. According to the CRI Report, we were the largest manufacturer of cosplay wigs, the third largest manufacturer of cosplay costumes and the second largest manufacturer of sexy lingerie in the PRC in terms of revenue in 2014. Our revenue from cosplay wigs, cosplay costumes and sexy lingerie amounted to approximately RMB179.8 million, RMB181.1 million and RMB36.9 million respectively in 2014, representing a market share of 6.3%, 0.5% and 0.5% in the respective markets in the PRC.

We sell our products predominantly on export basis to overseas customers mainly in the US, Germany, U.K. and Australia. For the three years ended 31 December 2014 and the three months ended 31 March 2015, the revenue generated from our export sales accounted for approximately RMB237.5 million, RMB293.8 million, RMB391.5 million and RMB94.4 million, representing approximately 96.6%, 98.3%, 98.4% and 96.9% of our revenue respectively, while revenue of our domestic sales accounted for approximately RMB8.3 million, RMB5.0 million, RMB6.4 million and RMB3.0 million, representing approximately 3.4%, 1.7%, 1.6% and 3.1% of our revenue respectively. We were therefore entitled to a tax rebate from the PRC tax authority arising from these export sales. Our export products, mainly consisting of cosplay wigs, cosplay costumes and sexy lingerie, fall within the categories eligible for tax rebate under the Notice on Increasing the Export Tax Rebate Rates of Value Added Tax on Labor-intensive Commodities* (財政部、國家稅務總局關於出口貨物勞務增值稅和消費稅政策的通知) and the Notice on Adjustment of Export Tax Rebate Rate of Certain Products* (財政部、國家稅務總局關於調整部分產品出口退稅率的通知).

When the sales of the export products are being recognised (i.e. the products having been delivered to the FOB ports), we are entitled to and will immediately make the applications of tax rebate to the tax authority. Tax rebate can then be recognised simultaneously and our cost of sales will be reduced accordingly. The amount of tax rebate is calculated by multiplying the invoiced value of the export sales with the tax rebate rate applicable to the export product type. During the Track Record Period, the applicable rate for most of our cosplay wigs, cosplay costumes and sexy lingerie is 13%, 16% and 17% respectively. We will then be informed by the tax authority that the relevant tax rebate can be realised by way of offsetting against VAT payable usually within approximately two weeks from the date of application. If the VAT payable is less than the tax rebate entitled, cash settlement will be made by the tax authority within approximately four weeks from the date of application. During the Track Record Period, we received export tax rebate in the respective sum of approximately RMB18.0 million, RMB19.9 million, RMB30.3 million and RMB4.9 million respectively.

The below table shows the gross profit and gross profit margin by export sales (before and after taking into account the tax rebates) and by domestic sales during the Track Record Period:

	For the year ended 31 December						For the three months ended 31 March	
	2012		2013		2014		2015	
	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %
Before tax rebates								
Export sales	43,591	18.4	58,620	20.0	78,721	20.1	20,167	21.4
Domestic sales	2,169	26.1	1,225	24.5	1,756	27.4	1,936	63.8
Total	<u>45,760</u>	18.6	<u>59,845</u>	20.0	<u>80,477</u>	20.2	<u>22,103</u>	22.7
After tax rebates								
Export sales	61,590	25.9	78,555	26.7	109,026	27.8	25,038	26.5
Domestic sales	2,169	26.1	1,225	24.5	1,756	27.4	1,936	63.8
Total	<u>63,759</u>	25.9	<u>79,780</u>	26.7	<u>110,782</u>	27.8	<u>26,974</u>	27.7

SUMMARY

Our Business Model

Our business can be classified into two major categories, namely CMS business and OBM business. Apart from manufacturing products strictly in accordance with customers' requests and specifications, we are also capable of providing product design and development services depending on the specific needs of the customers. The following table sets forth the revenue of our respective CMS and OBM business during the Track Record Period:

	For the year ended 31 December						For the three months ended 31 March	
	2012		2013		2014		2015	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
CMS business	194,249	79.0	231,888	77.6	324,588	81.6	71,709	73.6
OBM business	51,576	21.0	66,864	22.4	73,335	18.4	25,684	26.4
Total	<u>245,825</u>	<u>100.0</u>	<u>298,752</u>	<u>100.0</u>	<u>397,923</u>	<u>100.0</u>	<u>97,393</u>	<u>100.0</u>

Our CMS Business

Under our CMS business model, we manufacture and sell products under the brands of our CMS customers or their ultimate customers based on (i) our customers' specific design and specifications; or (ii) their conceptual ideas of their desired products with our input in design to turn the initial concepts into commercially viable product designs. Our CMS business was our primary source of revenue during the Track Record Period and as at the Latest Practicable Date.

Our OBM Business

Leveraging on our experience in providing value-added solutions to our CMS customers, we started creating our product lines and developing products under our own brands in 2008. Our OBM customers would purchase our own-branded products as finished products or request us to customise our own-branded products displayed on our product catalogue in order to meet their specific needs and requirements. We will create a pilot product under our own brand for our customers to review before mass production.

We currently own a total of seven brands related to our business, which are registered under different trademarks in different classes, with three of them are actively in use, including "Party Time", "Secret Temptations" and "Styler". Since October 2014, we started developing our OBM products under the brand of "WithCity" online through the "WithCity" e-shops. Before April 2015, we used the brand of "WithCity" as licensee for sale of our OBM products in the "WithCity" e-shops and we acquired the trademark "WithCity" in April 2015. For further information on the "WithCity" e-shops, please refer to the paragraph headed "Business — Business model — Our Business Models — OBM Business" in this prospectus.

Our Products

Our major products are cosplay costumes, cosplay wigs and sexy lingerie. Some of our cosplay products feature popular cosplaying characters originated from animation characters owned by third parties and we produce such products with relevant licences or authorisations. The following table shows the revenue breakdown by product during the Track Record Period:

	For the year ended 31 December						For the three months ended 31 March	
	2012		2013		2014		2015	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
<i>Wigs:</i>								
Cosplay wigs	110,370	44.9	133,924	44.8	179,755	45.2	39,123	40.2
<i>Clothing and others:</i>								
Cosplay costumes	106,507	43.3	138,658	46.4	181,128	45.5	54,037	55.5
Sexy lingerie	28,199	11.5	24,475	8.2	36,934	9.3	3,601	3.7
Others (Note)	749	0.3	1,695	0.6	106	0.0	632	0.6
Sub-total	<u>135,455</u>	<u>55.1</u>	<u>164,828</u>	<u>55.2</u>	<u>218,168</u>	<u>54.8</u>	<u>58,270</u>	<u>59.8</u>
Total	<u>245,825</u>	<u>100.0</u>	<u>298,752</u>	<u>100.0</u>	<u>397,923</u>	<u>100.0</u>	<u>97,393</u>	<u>100.0</u>

Note: Others mainly includes accessories, like hair pieces, eyelashes and cosmetic jewelries etc.

SUMMARY

The following table sets forth a breakdown of units sold and the average unit selling price by business and product during the Track Record Period:

	For the year ended 31 December						For the three months ended 31 March	
	2012		2013		2014		2015	
	Units sold	Average unit selling price (RMB)	Units sold	Average unit selling price (RMB)	Units sold	Average unit selling price (RMB)	Units sold	Average unit selling price (RMB)
CMS products								
Cosplay wigs	7,960,745	12.2	9,015,603	11.2	15,124,244	10.1	2,422,250	11.2
Cosplay costumes	2,158,120	35.7	2,611,274	42.6	4,462,062	31.4	773,340	53.0
Sexy lingerie	618,711	31.7	486,548	37.3	1,088,326	30.1	54,890	52.9
Sub-total	<u>10,737,576</u>		<u>12,113,425</u>		<u>20,674,632</u>		<u>3,250,480</u>	
OBM products								
Cosplay wigs	983,145	13.6	3,039,246	10.8	3,393,200	8.3	1,146,821	10.4
Cosplay costumes	728,136	40.4	615,510	44.5	1,597,278	25.8	169,010	77.0
Sexy lingerie	203,729	42.1	129,488	49.0	156,719	26.7	18,598	37.4
Sub-total	<u>1,915,010</u>		<u>3,784,244</u>		<u>5,147,197</u>		<u>1,334,429</u>	
Total	<u><u>12,652,586</u></u>		<u><u>15,897,669</u></u>		<u><u>25,821,829</u></u>		<u><u>4,584,909</u></u>	

Our Customers

CMS customers: Our CMS customers mainly include designated licensees of a globally renowned outdoor theme park chain originated in the U.S., proprietors or licensees of popular animation characters in North America and Europe and notable brands and department stores operating mainly in North America, Germany, the U.K. and Australia. During the Track Record Period, the revenue derived from our customers who are proprietors or licensees of animation characters amounted to approximately RMB94.8 million, RMB125.5 million, RMB174.8 million and RMB52.2 million respectively, which accounted for approximately 38.6%, 42.0%, 43.9% and 53.6% of our total revenue respectively. During the Track Record Period, our major CMS customers include but not limited to R.H. Smith & Sons (Wigmakers) Ltd, Spencer Gifts, LLC, Lovin Enterprises Inc., Leg Avenue, Inc., Elope, Inc., Widmann S.R.L. and Easter Unlimited, Inc..

OBM customers: Our Directors note that our major OBM customers are mainly (i) new entrants to the markets of cosplay costumes, cosplay wigs and sexy lingerie who lack established brand names and ready lines of products in the markets; (ii) players operating in the markets where our CMS customers' presence is not significant; and (iii) end-customers in the PRC domestic market.

During the Track Record Period, there were minimal competitions between the two business categories due largely to the size of the market and the abundant opportunities available in the animation derivative industry and sexy lingerie industry.

During the Track Record Period, U.S., Germany and U.K. were the three largest destinations for our Group's exports. The following table sets forth our revenue breakdown by geographic locations:

	For the year ended 31 December						For the three months ended 31 March			
	2012		2013		2014		2014		2015	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (unaudited)	%	RMB'000	%
North America (Note 1)	93,666	38.1	121,422	40.6	155,237	39.0	14,299	28.6	43,524	44.7
Europe (Note 2)	75,509	30.7	85,696	28.7	139,182	35.0	16,309	32.6	24,825	25.5
Oceania (Note 3)	20,123	8.2	26,578	8.9	31,340	7.9	4,949	9.9	9,966	10.2
South America (Note 4)	22,579	9.2	26,445	8.9	26,429	6.6	8,317	16.6	9,319	9.6
Asia (excluding the PRC) (Note 5)	25,010	10.1	32,408	10.8	37,511	9.4	4,471	8.9	6,726	6.9
PRC	8,322	3.4	4,994	1.7	6,404	1.6	1,683	3.4	3,033	3.1
Africa	616	0.3	1,209	0.4	1,820	0.5	—	0.0	—	0.0
Total	<u><u>245,825</u></u>	<u><u>100.0</u></u>	<u><u>298,752</u></u>	<u><u>100.0</u></u>	<u><u>397,923</u></u>	<u><u>100.0</u></u>	<u><u>50,028</u></u>	<u><u>100.0</u></u>	<u><u>97,393</u></u>	<u><u>100.0</u></u>

SUMMARY

Notes:

1. Our customers in the North America mainly include the customers based in the United States, Canada and Mexico.
2. Our customers in Europe mainly include the customers based in Germany, U.K., Holland, France, Russia and Belgium.
3. Our customers in Oceania mainly include the customers based in Australia and New Zealand.
4. Our customers in South America mainly include the customers based in Brazil, Argentina, Columbia, Peru and Ecuador.
5. Our customers in Asia mainly include the customers based in Japan and South Korea.

For the three years ended 31 December 2014 and the three months ended 31 March 2015, sales to our top five customers accounted for approximately 27.4%, 28.2% and 31.1% and 33.6% of our revenue, respectively, and the sales to our largest customers accounted for approximately 7.5%, 8.4% and 7.6% and 11.0% of our revenue, respectively. As at the Latest Practicable Date, our business relationship with our top five customers was in average over seven years. Over the years, we have developed stable business relationship with our major customers.

Our Production Facilities

As at the Latest Practicable Date, we manufactured our products at our Yichun Production Plant and Yiwu Production Plant, which in aggregate have a total site area of approximately 101,188.3 sq.m..

We maintained high utilisation rates of our production plants during the Track Record Period. The following table sets forth the production capacity of our production plants for each of the three years ended 31 December 2014 and the three months ended 31 March 2014 and 31 March 2015:

	2012		For the year ended 31 December 2013		2014		For the three months ended 31 March 2014		For the three months ended 31 March 2015		
	Yichun Production Plant	Leased production facilities in Yiwu City (Note 2)	Yichun Production Plant	Leased production facilities in Yiwu City (Note 2)	Yichun Production Plant	Leased production facilities in Yiwu City (Note 2)	Yichun Production Plant	Leased production facilities in Yiwu City (Note 2)	Yichun Production Plant (Note 8)	Leased production facilities in Yiwu City (Note 2)	Yiwu Production Plant (Note 2)
Estimated average production time per unit (second) (Note 1)											
Wigs	453.3	601.3	456.6	611.3	421.7	549.2	350.7	523.7	604.3	551.8	447.0
Clothing	1,600.9	1,644.5	1,743.0	1,738.7	1,305.7	1,684.1	1,069.3	1,433.0	2,466.7	877.4	2,338.5
Estimated maximum capacity (unit) (Note 3)											
Wigs	7,920,000	1,306,800	9,223,500	1,425,600	13,800,600	1,887,600	3,604,680	355,680	1,844,700	142,200	97,500
Clothing (Note 4)	3,003,000	1,016,400	2,966,700	871,200	4,712,400	1,003,200	1,178,000	209,760	589,680	148,800	60,000
	10,923,000	2,323,200	12,190,200 (Note 9)	2,296,800 (Note 9)	18,513,000 (Note 9)	2,890,800 (Note 9)	4,782,680	565,440	2,434,380	291,000	157,500
Actual production (unit)											
Wigs	7,545,307	1,092,950	9,216,650	1,312,168	13,751,765	1,262,686	3,543,097	326,221	1,831,083	93,745	49,977
Clothing (Note 4)	2,823,497	1,014,752	2,865,624	846,720	4,608,076	937,238	1,175,776	179,113	574,570	123,197	15,455
	10,368,804	2,107,702	12,082,274	2,158,888	18,359,841	2,199,924	4,718,873	505,334	2,405,653	216,942	65,432
Utilisation rate (Note 5)											
Wigs	95.3%	83.6%	99.9%	92.0%	99.7%	66.9% (Note 6)	98.3%	91.7%	99.3%	65.9%	51.3%
Clothing (Note 4)	94.0%	99.8%	96.6%	97.2%	97.8%	93.4% (Note 7)	99.8%	85.4%	97.4%	82.8%	25.8%
Total	94.9%	90.7%	99.1%	94.0%	99.2%	76.1%	98.7%	89.4%	98.8%	74.6%	41.5%

Notes:

1. The respective estimated average production time per unit of wigs or clothing is calculated by dividing the respective total actual production time for the production of wigs and clothing by the respective number of the wigs and clothing manufactured by us during the relevant period. The variation in the estimated average production time per unit was due largely to the complexity of production process involved for each type of wigs and clothing manufactured in the relevant production plant during the relevant period. For the two years ended 31 December 2013, the product mix of our Group remained largely similar and hence the average production time per unit remained steady for the same period. The average production time for the products was shortened in 2014 due to the increase in sales of products related to the

SUMMARY

World Cup effect in 2014, which generally involved less complexed production processes. The average unit production time for wigs and clothing in 2015 increased due to the increase in the sales of products with higher selling price such as cosplay costumes to our Customer G relating to the big hit movie “Transformers”. These products involved more complexed production processes. As a result, the estimated average unit production time for wigs and clothing at our Yiwu Production Plant increased from 350.7 seconds per unit and 1,069.3 seconds per unit respectively for the three months ended 31 March 2014 to 604.3 seconds per unit and 2,466.7 seconds per unit respectively for the three months ended 31 March 2015 at our Yichun Production Plant and 447.0 seconds per unit and 2,338.5 seconds per unit respectively for the three months ended 31 March 2015. Since the operation of the leased production facilities in Yiwu City had been scaled down since January 2015 and completely ceased in February 2015 due to our relocation plan to the Yiwu City in 2015, clothings that involved less complexed production processes were arranged to be produced in the leased production facilities in Yiwu City and thus the estimated average unit production times for clothing changed from 1,433.0 seconds per unit for the three months ended 31 March 2014 to 877.4 second per unit for the three months ended 31 March 2015 therein.

2. During the Track Record Period, we leased two production facilities in Yiwu City from Independent Third Parties and we commenced operation in Yiwu Production Plant in February 2015 with all the machineries and equipment.
3. The estimated maximum capacity for a year is calculated based on the assumption of 330 days per year and 10 working hours per day, and the estimated average production time per unit for illustration purpose only. The estimated maximum capacity for three months ended 31 March is calculated based on the actual number of days of each of Yichun Production Plant, the leased production facilities in Yiwu City and Yiwu Production Plant had been in operation (In 2014, Yichun Production Plant - 76 days, leased production facilities in Yiwu City - 76 days; in 2015, Yichun Production Plant - 78 days, leased production facilities in Yiwu City - 31 days, Yiwu Production Plant - 30 days) and the estimated average production time per unit. The estimated maximum capacity may be affected by the number of workers and machineries available for production at the material time. These production plants and production facilities had been closed down due to the Chinese New Year holidays in the PRC and the operation of the leased production facilities in Yiwu City had been scaled down since January 2015 and completely ceased in February 2015 due to our relocation plan to the Yiwu Production Plant. Further, the estimated average production time per unit will vary depending on the complexity of the production process per unit.
4. Clothings include our cosplay costumes and sexy lingerie as they go through the same production processes.
5. Utilisation rate is calculated by dividing production volumes by the estimated maximum production capacity for the year. Utilisation rate for the three months ended 31 March 2015 is calculated by dividing the actual production volume of the period by the estimated maximum production capacity of the period.
6. The utilisation rate for wig production in the leased production facilities in Yiwu City decreased from approximately 92.0% in 2013 to approximately 66.9% in 2014 was resulted from (i) the increase of approximately 32.4% in the estimated maximum production capacity for wigs in Yiwu City from 1,425,600 units in 2013 to 1,887,600 units in 2014 while the actual production of wigs during the corresponding period did not cope with such increase but instead slightly decreased by approximately 3.8% whereby, the corresponding utilisation rate for wig production decreased significantly accordingly; and (ii) the decrease of actual production of wigs by approximately 3.8% from 1,312,168 units in 2013 to 1,262,686 units in 2014 as we had scaled down the production of wigs at our leased production facilities in Yiwu City during the fourth quarter of 2014 in preparation for our relocation plan to our self-owned Yiwu Production Plant at that time.
7. The utilisation rate for production of clothing in the leased production facilities in Yiwu City in 2014 only witnessed a slight decrease from approximately 97.2% in 2013 to 93.4% in 2014 as there is no significant increase in the production capacity of the leased production facilities in Yiwu City for production of clothing during the corresponding period and the slight decrease in utilisation rate for production of clothing in 2014 was due to the scale down of our production in clothing during the last quarter of 2014 in light of our relocation plan to our self-owned Yiwu Production Plant at that time.
8. Our estimated maximum capacity is determined by (i) the operating hours and the days of operation of our production plants; and (ii) the estimated average production time of products. Given there was no significant change in the operating hours and days in our Yichun Production Plant between the three months ended 31 March 2014 and the three months ended 31 March 2015, the estimated maximum capacity for the production of wigs and clothing at the Yichun Production Plant decreased from approximately 3.6 million units and 1.2 million units respectively for the three months ended 31 March 2014 to approximately 1.8 million units and 0.6 million units for the three months ended 31 March 2015 respectively was mainly due to the difference in specifications of some of our products, i.e. the increase in the production of both wigs and clothing products which required a more complex production process and manual works during the period for higher specifications after the influence of the World Cup effect in 2014 and resulted in a longer production time per unit and the decrease in volume of output during the corresponding period. For the three months ended 31 March 2015, the respective average production time of clothing and wigs at our Yichun Production Plant were approximately 2,466.7 seconds per unit and 604.3 seconds per unit, increasing from approximately 1,069.3 seconds per unit and 350.7 seconds per unit respectively for the three months ended 31 March 2014. Our Directors confirm that the production process for some products for the three months ended 31 March 2015 was longer due to the more complex production process involved. With a longer production time per unit, the estimated maximum capacity decreased accordingly. Notwithstanding the prolonged production process and reduced estimated maximum capacity, it did not adversely affect the profitability of the Company. In fact it was compensated by the higher unit selling price of such products for the three months ended 31 March 2015. As a result the revenue of the Company increased by approximately 94.7% from approximately RMB50.0 million for the three months ended 31 March 2014 to approximately RMB97.4 million for the three months ended 31 March 2015. For further information of the sales of our higher priced products in 2015, please refer to the section headed “Financial Information — Sales quantities and average unit selling price by products” in this prospectus.

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9. The estimated maximum capacity at the Yichun Production Plant and the leased production facilities in Yiwu City increased from approximately 12.2 million units and 2.3 million units for the year ended 31 December 2013 to approximately 18.5 million units and 2.9 million units for the year ended 31 December 2014 respectively. Such increase was mainly attributed to (i) our recruitment of more workers, acquisition of new machineries which resulted in the enhancement of our production efficiency; (ii) the influence of the World Cup 2014 which led to a large demand for world-cup-related products in 2013 and 2014. These products involved less complex production processes and therefore the estimated maximum capacity had been boosted up due to the shortened production time of such products.

To better control our production planning and respond to market changes more quickly, we plan to purchase new machineries in our Yiwu Production Plant and construct two new factory buildings in our Yichun Production Plant. For further details, please refer to the section headed “Business — Business Strategies — Enhance our Production Capacities” in this prospectus.

Research and Development

We strive to offer our customers innovative and high-quality products. Our experienced research and development department is dedicated to improve production efficiency and enhance product quality by developing patented technologies. Up to the Latest Practicable Date, we had successfully obtained two invention patents, twelve utility model patents and five design patents in the PRC focusing mainly on (i) technologies concerning the production of our products; and (ii) packaging of our products. We also worked with universities and colleges on the research and development of patented technologies. For further details on our research and development capabilities, please refer to the section headed “Business — Research and Development” in this prospectus.

Quality Control

We place strong emphasis on achieving consistently high quality for our products. During the Track Record Period, we ensured our adherence to international and domestic quality standards including but not limited to the American ASTM standards, the European EN71 and REACH and Work Safety Standardization Certificate* (安全生產標準化證書). We were also awarded various certifications such as ISO9001:2008, ISO14001:2004 and OHSAS 18001:2007 certificates. Owing to our ability to comply with stringent quality requirement, we have been an approved manufacturer for a globally renowned outdoor theme park chain originated in the U.S. for over nine consecutive years. Our quality control department is responsible for ensuring that we are in compliance with all internal policies, external standards imposed by our customers and applicable regulations. We implement stringent quality control measures throughout the production process to ensure the quality of our products. For more details on our quality control measures, please refer to the section headed “Business — Quality Control”.

Raw Materials and Suppliers

We use a variety of raw materials in our manufacturing processes mainly including fabrics, synthetic fibres, wig caps, hair accessories, packaging materials and costume accessories which are sourced in the PRC. We have established stable business relationships with our approved suppliers and had not experienced any material shortage or delay in the supply of raw materials during the Track Record Period. For each of the three years ended 31 December 2014 and the three months ended 31 March 2015, total purchases from our top five suppliers accounted for approximately 40.6%, 39.7%, 41.5% and 37.5% of our total cost of purchases for the corresponding periods whereas, our purchases from our largest supplier accounted for approximately 17.4%, 17.1%, 15.8% and 14.9% of our total cost of purchases during the corresponding period.

OUR COMPETITIVE STRENGTHS

We believe that our key components to our success are as follows— (i) we maintain long term business relationships with our customers and attract new customers through our quality products and value-added services; (ii) we are capable to offer comprehensive product development and manufacturing solutions; (iii) we have strong research and development capabilities; (iv) we develop our own brands to capture the growing domestic market; (v) we own strategically located, large scale production facilities in Yiwu City and Yichun City; and (vi) we have an experienced management team with a proven track record and a pool of skilled workforce.

SUMMARY

OUR BUSINESS STRATEGIES

We intend to implement the following principal strategies to expand our business: (i) further strengthen our research and development capabilities; (ii) broaden our customer base by expanding our OBM business in the PRC market; (iii) increase the market share of our products in the overseas markets; and (iv) enhance our production capacities.

RISK FACTORS

There are risks associated with any investment. Our business faces risks including those set out in the section headed “Risk Factors” in this prospectus, in particular the following most material risks: (i) we face risks associated with the marketing and sale of our products to our export destinations; (ii) we are subject to risks of fluctuations in the exchange rate between RMB and U.S. dollars; (iii) we may experience a decrease or discontinuation of tax rebate towards exported goods; (iv) we may be subject to claims in respect of product quality and safety standards by the end-customers of our products and our insurance coverage does not include product liability; (v) we may not be able to maintain our growth or able to implement our business plan successfully; (vi) we do not enter into long-term contracts with our customers; (vii) our planned expansion in OBM sales may come into direct competition with our CMS customers and result in the loss of such customers; (viii) we may be subject to the risks in relation to our intellectual property right and we may be exposed to claims in respect of the infringement of third party intellectual property rights; (ix) our research and development projects may not be successful and our new products may not be well-received by the market; (x) we may be adversely affected if the countries to which our products are exported or the customers to whom we sell our products are subject to evolving economic sanctions administered by the U.S., the EU, the United Nations, Australia and other relevant sanctions authorities; (xi) our sales performance may be materially affected by the changing trends and popularities of movie and animation characters; and (xii) we may be unable to maintain our quality control systems effectively and would therefore result in our failure to maintain both international and domestic quality standards in relation to our operation and products.

BUSINESS ACTIVITIES IN SANCTIONED COUNTRIES

During the Track Record Period, we sold our products to customers in Russia (where certain Sanctioned Persons are located). The revenue generated from sales to customers in Russia for the three years ended 31 December 2014 and the three months ended 31 March 2015 accounted for nil, approximately 0.10%, 0.01% and nil, respectively, of our total revenue. As advised by DLA Piper Hong Kong, our legal adviser as to International Sanctions Laws, our historical sales and other business activities in Russia during the Track Record Period do not implicate the application of relevant sanctions laws on our Group, or any person or entity, including our Group’s investors or the Stock Exchange. Please see the section headed “Business — Business Activities in Sanctioned Countries” in this prospectus for details of our business activities in Russia. Our Directors confirm that, except as disclosed in the section headed “Business” in this prospectus, during the Track Record Period and up to the Latest Practicable Date, our Group was not engaged in any business activities with any countries, governments, entities or individuals that were sanctioned by the U.S., the EU, the United Nations or Australia, including, without limitation, any government, individual or entity that was the subject of any OFAC administered sanctions at the time. In relation to our sales to customers in Russia during the Track Record Period and up to the Latest Practicable Date, we had not been notified that any sanctions would be imposed on us. None of the contracting parties are specifically identified on the Specially Designated Nationals and Blocked Persons List maintained by OFAC or other restricted parties lists maintained by the EU, the United Nations or Australia and therefore would not be deemed as sanctioned targets. Further, as at the Latest Practicable Date, our sales did not involve industries or sectors that are currently subject to specific sanctions by the U.S., the EU, the United Nations or Australia and therefore are not deemed to be prohibited activities under the relevant sanctions laws and regulations.

SUMMARY

SUMMARY OF FINANCIAL INFORMATION

We present in the following tables certain key line items in our combined statements of profit or loss and other comprehensive income, combined statements of financial position and selected financial ratio. For more details, please refer to the section headed “Financial Information” in this prospectus.

Extract of the combined statements of profit or loss and other comprehensive income

	For the year ended 31 December			For the three months ended 31 March	
	2012 <i>RMB'000</i>	2013 <i>RMB'000</i>	2014 <i>RMB'000</i>	2014 <i>RMB'000</i>	2015 <i>RMB'000</i>
				<i>(unaudited)</i>	
Revenue	245,825	298,752	397,923	50,028	97,393
Cost of sales	(182,066)	(218,972)	(287,141)	(37,166)	(70,419)
Gross profit	63,759	79,780	110,782	12,862	26,974
Profit before income tax	39,994	49,904	78,270	6,189	17,171
Profit for the year/period	29,794	37,202	58,580	4,360	12,623

During the Track Record Period, our net profit increased from RMB29.8 million for the year ended 31 December 2012 to approximately RMB37.2 million for the year ended 31 December 2013 and then to approximately RMB58.6 million for the year ended 31 December 2014, and increased from RMB4.4 million for the three months ended 31 March 2014 to approximately RMB12.6 million for the three months ended 31 March 2015, primarily due to the expansion of our OBM and CMS businesses following the increased number of new customers and the increased purchase orders from existing customers.

Extract of the combined statements of financial position

	As at 31 December			As at 31 March
	2012 <i>RMB'000</i>	2013 <i>RMB'000</i>	2014 <i>RMB'000</i>	2015 <i>RMB'000</i>
CURRENT ASSETS				
Inventories	28,177	29,051	24,039	21,209
Trade and other receivables	12,321	15,961	24,256	28,658
Prepaid land lease payments	89	293	293	293
Cash and cash equivalents	32,683	42,207	44,808	41,584
Total current assets	<u>73,270</u>	<u>87,512</u>	<u>93,396</u>	<u>91,744</u>
CURRENT LIABILITIES				
Trade and other payables	24,580	15,536	15,888	24,030
Short term borrowings	12,407	22,000	64,677	57,528
Income tax payable	2,753	3,368	3,761	3,817
Total current liabilities	<u>39,740</u>	<u>40,904</u>	<u>84,326</u>	<u>85,375</u>
NET CURRENT ASSETS	<u><u>33,530</u></u>	<u><u>46,608</u></u>	<u><u>9,070</u></u>	<u><u>6,369</u></u>

SUMMARY

Selected Financial Ratio

	As at/for the year ended 31 December			As at/for the three months ended 31 March
	2012	2013	2014	2015
	%	%	%	%
Gross profit margin (Note 1)	25.9	26.7	27.8	27.7
Net profit margin (Note 2)	12.1	12.5	14.7	13.0
Return on total assets (Note 3)	28.1	27.6	24.7	— ^(Note 9)
Return on equity (Note 4)	44.9	39.5	38.4	— ^(Note 9)
Current ratio (Note 5)	184.4	213.9	110.8	107.5
Quick ratio (Note 6)	113.5	142.9	82.2	82.6
Gearing ratio (Note 7)	18.7	23.4	42.3	34.8
Net gearing ratio (Note 8)	— ^(Note 10)	— ^(Note 10)	13.0	9.6

Notes:

1. Gross profit margin equals gross profit for the year/period divided by revenue and multiplied by 100%.
2. Net profit margin equals profit for the year/period divided by revenue and multiplied by 100%.
3. Return on total assets equals profit for the year/period divided by total assets and multiplied by 100%.
4. Return on equity equals profit for the year/period divided by total equity and multiplied by 100%.
5. Current ratio is calculated by dividing total current assets by total current liabilities and multiplied by 100%.
6. Quick ratio is calculated by dividing total current assets net of inventories by total current liabilities and multiplied by 100%.
7. Gearing ratio is calculated by dividing total debt by total equity and multiplying by 100%. Total debt is defined to include short term borrowings.
8. Net gearing ratio is calculated by dividing net debt by total equity and multiplying by 100%. Net debt is defined to include short term borrowings net of cash and cash equivalents.
9. Calculation of return on equity and return on total assets is on a full year basis.
10. Net cash position of our Group as at 31 December 2012 and 2013.

SHAREHOLDING INFORMATION

Immediately following the completion of the Global Offering, Master Professional and Summit Quest, which is beneficially wholly owned by Mr. Chen and Mr. Chen Sheng Guan respectively, will in aggregate hold 478,125,000 Shares, representing 63.75% of the issued share capital of our Company. For the purpose of the Listing Rules, Mr. Chen, Mr. Chen Sheng Guan, Master Professional and Summit Quest are the Controlling Shareholders. Please refer to the section headed “Relationship with the Controlling Shareholders” in this prospectus for further details.

GLOBAL OFFERING STATISTICS

Number of Offer Shares in the Global Offering	: 187,500,000
Number of Hong Kong Offer Shares	: 18,750,000
Number of International Placing Shares	: 168,750,000
Over-allotment Option	: 28,125,000 Offer Shares
Offer Price range	: HK\$0.93 to HK\$1.13 per Offer Share
Board lot	: 3,000

	Based on an Offer Price of HK\$0.93	Based on an Offer Price of HK\$1.13
Market capitalization	HK\$697,500,000	HK\$847,500,000
Unaudited pro forma adjusted combined net tangible assets attributable to the equity holders of our Company per Share ⁽¹⁾	RMB0.35 HK\$0.42 ⁽²⁾	RMB0.39 HK\$0.47 ⁽²⁾

SUMMARY

Notes:

1. Please see the section headed “Unaudited Pro Forma Financial Information” in Appendix II to this prospectus for further details regarding the assumptions used and the calculations method.
2. The unaudited pro forma adjusted combined net tangible assets per share is translated to Hong Kong dollars at exchange rate of approximately RMB0.83 to HK\$1.00. No representation is made that the Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

DIVIDEND POLICY

For the year ended 31 December 2012 and 2013, our subsidiaries declared and paid to their then shareholders dividends of RMB20 million and RMB20 million, respectively. No dividend was declared nor paid by our subsidiaries in year ended 31 December 2014, and three months ended 31 March 2015. During the Track Record Period, the dividend payout ratios were approximately 67.1%, 53.8%, nil and nil, respectively. The form, frequency and amount of future dividends on the Shares will be at the discretion of the Board and will depend on factors such as our results of operations, cash flows, financial conditions, future prospects and regulatory restrictions on the payment of dividends by us or our operating subsidiaries. Our Company currently does not have a fixed dividend policy and may distribute dividends by way of cash or by other means that our Directors consider appropriate. There can be no assurance that any dividends will be paid. Investors should consider the risk factors affecting our Group as set forth in the section headed “Risk Factors” in this prospectus and the cautionary notice regarding forward-looking statements contained in the section headed “Forward-looking Statements” in this prospectus.

LISTING EXPENSES

Assuming an Offer Price of HK\$1.03 per Share (being the mid-point of the indicative offer price range stated in this prospectus) and the Over-allotment Option is not exercised, the total estimated listing expenses in relation to the Global Offering is approximately HK\$30.2 million, of which approximately HK\$1.6 million were charged to profit or loss during the three months ended 31 March 2015. We expect to charge approximately HK\$14.5 million of listing expenses to our profit or loss for the year ending 31 December 2015 and the balance of approximately HK\$15.7 million to be capitalised.

The estimated listing expenses are the latest best estimate for reference only and are subject to adjustment based on the actual amount incurred or to be incurred. Our results of operations are expected to be adversely affected by the non-recurring listing expenses incurred.

USE OF PROCEEDS

Assuming an Offer Price of HK\$1.03 per Offer Share (being the mid-point of the indicative Offer Price range of HK\$0.93 to HK\$1.13 per Offer Share), the net proceeds from the Global Offering are estimated to be approximately HK\$162.9 million. Our Directors intend to apply the net proceeds from the Global Offering as follows:

- approximately HK\$65.1 million, representing approximately 40% of the net proceeds from the Global Offering will be utilised for increasing our production capacity by constructing two new factory buildings at our Yichun Production Plant;
- approximately HK\$32.6 million, representing approximately 20% of the net proceeds from the Global Offering, will be utilised for setting up a research and development centre at our Yiwu Production Plant;
- approximately HK\$48.9 million, representing approximately 30% of the net proceeds from the Global Offering, will be utilised to setting up an e-commerce operation centre and a service and experience centre at our Yiwu Production Plant; and
- the remaining balance of approximately HK\$16.3 million, representing approximately 10% of the net proceeds from the Global Offering, will be used for additional working capital and other general corporate purposes.

Please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus for further details.

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RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Our business model, revenue structure and cost structure remained unchanged since 31 March 2015. Our business maintains a stable growth and the contribution by each business category is in line with the historical record. There has been no material change in the general economic and market conditions in the industry in which we operate.

Our profit for the year ending 31 December 2015 is expected to be adversely affected by the recognition of the estimated listing expenses of HK\$14.5 million (assuming that the Offer Price is HK\$1.03 and the Over-allotment Option is not exercised) for the year ending 31 December 2015. Our Directors believe that, on a normalised basis without taking into account the listing expenses, there will not be material adverse change to our financial performance for the year ending 31 December 2015 as compared to the year ended 31 December 2014.

Based on our unaudited management account for the seven months ended 31 July 2015, our revenue for the seven months ended 31 July 2015 amounted to approximately RMB327.4 million, representing an increase of approximately 44.6% compared to the seven months ended 31 July 2014. The increase in revenue was mainly due to the increase in orders from our existing CMS customers on cosplay costumes and cosplay wigs during 2015. Our sales quantity and average unit selling price for the seven months ended 31 July 2015 also increased steadily compared to the seven months ended 31 July 2014. Our gross profit margin for the seven months ended 31 July 2015 was approximately 29.0%, which is higher than that of approximately 28.3% for the seven months ended 31 July 2014. Our net current assets increased from approximately RMB6.4 million as at 31 March 2015 to approximately RMB26.3 million as at 31 July 2015, which was primarily attributable to the net profit we generated during the four months ended 31 July 2015 and such net profit were retained and kept as cash and cash equivalents.

The financial information disclosed above is derived from the Company's unaudited consolidated interim financial information for the seven months ended 31 July 2015, which has been reviewed by our Reporting Accountants in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our business and financial position since 31 March 2015 (being the date to which the latest audited combined financial statements of us are prepared).

LEGAL AND REGULATORY MATTERS

The Directors have confirmed that, during the Track Record Period and up to the Latest Practicable Date, there were no litigation or arbitration proceedings pending or threatened against the Group that could have a material adverse effect on its financial condition and results of operation. Concerning the non-compliance of our Group, we had not set up a housing provident fund account and paid housing provident fund contributions for employees in accordance with compliance with the applicable PRC laws during the Track Record Period. However, we had only partially rectified this non-compliance by paying adequate contributions to the housing provident fund for the employees who had chosen to make their own housing provident fund contributions, whose place of origin were mainly in the relevant urban areas, since January 2015. Also, the websites of the "WithCity" e-shops previously contained inaccurate contents. We had rectified this non-compliance by removing the inaccurate contents and amending the websites in or around late June 2015 in order to avoid any misunderstanding by customers. For further details of the legal and regulatory matters of the Group, please refer to the section headed "Business — Legal and Compliance" in this prospectus.

DEFINITIONS

Unless the context otherwise requires, the following expressions have the following meanings in this prospectus. Certain other terms are explained in the sections headed “Glossary of technical terms”.

“Accountants’ Report”	the accountants’ report of our Group prepared by the Reporting Accountants set out in Appendix I to the prospectus
“Affiliate(s)”	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“Application Form(s)”	WHITE, YELLOW and GREEN application form(s), or where the context so requires, any of them, which is used in relation to the Hong Kong Public Offering
“Articles of Association” or “Articles”	the articles of association of our Company adopted on 7 August 2015 and as amended from time to time
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Audit Committee”	the audit committee of the Board
“Board”	the board of Directors
“Business Day(s)” or “business day(s)”	a day on which licenced banks in Hong Kong are generally open for business to the public and which is not (i) a Saturday, Sunday or public holiday in Hong Kong or (ii) a day on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate, a method of assessing the average growth of a value over time
“Capitalisation Issue”	the issue of 562,422,000 Shares made upon capitalisation of certain sums standing to the credit of the share premium account of our Company referred to in Appendix V headed “Statutory and General Information” to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant

DEFINITIONS

“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Cheerful Rise”	Cheerful Rise Investment Ltd. (愷昇投資有限公司), a limited liability company incorporated in the BVI on 18 January 2010 and wholly owned by Ms. Ng Choi Fung
“China” or “PRC”	The People’s Republic of China, which excludes for the purpose of this prospectus, Hong Kong, Macau and Taiwan
“China Partytime”	China Partytime Culture (Hong Kong) Limited (中國派對文化(香港)有限公司), formerly known as China Animation Culture (Hong Kong) Investments Limited (中國動漫文化(香港)投資有限公司), a limited liability company incorporated in Hong Kong on 12 March 2015 and an indirect wholly owned subsidiary of our Company
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Companies Law”	the Companies Law (as revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	China Partytime Culture Holdings Limited (中國派對文化控股有限公司), formerly known as China Animation Culture Group Holding Co., Ltd. (中國動漫文化集團控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 12 February 2015
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and, unless the context requires otherwise, collectively refers to Mr. Chen, Mr. Chen Sheng Guan, Master Professional and Summit Quest
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules

DEFINITIONS

“CRI”	China Research and Intelligence Co., Ltd., an independent market research and consulting company which prepared the CRI Report
“CRI Report”	an independent market research report in respect of the animation derivative industry and sexy lingerie industry in the PRC and worldwide, prepared by CRI which was commissioned by our Company
“CSRC”	the China Securities Regulatory Commission* (中國證券監督管理委員會)
“Deed of Indemnity”	the deed of indemnity dated 7 August 2015 entered into between each of the Controlling Shareholders and our Company (for itself and as trustee for other Group members), the particulars of which are set out in the paragraph headed “Statutory and General Information — E. Other information — Tax and other indemnities” in Appendix V to this prospectus
“Director(s)”	director(s) of our Company
“EIT”	the enterprise income tax payable under the EIT Law
“EIT Law”	the PRC Enterprise Income Tax Law* (中華人民共和國企業所得稅法), which came into effect on 1 January 2008
“EU”	the European Union
“Garaku”	Garaku K. K (Garaku株式会社), a company incorporated in Japan and is an Independent Third Party
“Global Offering”	the Hong Kong Public Offering and the International Placing
“ GREEN Application Form(s)”	the application form(s) to be completed by HK eIPO WHITE Form Service Provider, designated by our Company
“Group”, “our Group”, “we” or “us”	our Company and our subsidiaries at the relevant time or, where the context otherwise requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries pursuant to the Reorganisation, its present subsidiaries
“ HK eIPO White Form ”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designed website at www.hkeipo.hk

DEFINITIONS

“ HK eIPO White Form Service Provider”	the HK eIPO White Form service provider designated by our Company, as specified on the designated website at www.hkeipo.hk
“HKFRS(s)”	Hong Kong Financial Reporting Standard(s)
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“HK\$” or “Hong Kong dollar(s)” or “HKD”	Hong Kong dollars, the lawful currency for the time being of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Offer Shares”	the 18,750,000 new Shares initially being offered for subscription by our Company at the Offer Price under the Hong Kong Public Offering representing 10% of the initial number of Offer Shares (subject to reallocation as described in the section headed “Structure of the Global Offering” in this prospectus)
“Hong Kong Public Offering”	the conditional offer by our Company of the Hong Kong Offer Shares for subscription by the public in Hong Kong as described in the section headed “Structure of the Global Offering” in this prospectus for cash at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) and on and subject to the terms and conditions stated herein and in the Application Forms relating thereto
“Hong Kong Share Registrar”	Tricor Investor Services Limited, our Hong Kong branch share registrar and transfer office
“Hong Kong Underwriters”	the underwriters of the Hong Kong Offer Shares listed in the section headed “Underwriting” in this prospectus

DEFINITIONS

“Hong Kong Underwriting Agreement”	the conditional public offer underwriting agreement dated Tuesday, 29 September 2015 relating to the Hong Kong Public Offering and entered into by, among others, our Company, the covenantors to be named therein (namely, Mr. Chen, Mr. Chen Sheng Guan, Master Professional and Summit Quest), the executive Directors, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters, as further described in the section headed “Underwriting” in this prospectus
“Independent Third Party(ies)”	individual(s) or a company(ies) who is (or are) independent of and not a connected person (within the meaning of the Listing Rules) with any Directors, chief executive or substantial shareholders of our Company, any of its subsidiaries or any of their respective associates
“International Placing”	the conditional placing of the International Placing Shares by the International Placing Underwriters with professional, institutional, corporate and/or other investors at the Offer Price, as further described in the section headed “Structure of the Global Offering” in this prospectus
“International Placing Shares”	the 168,750,000 new Shares initially being offered by us for subscription at the Offer Price under the International Placing (subject to reallocation as described in the section headed “Structure of the Global Offering” in this prospectus)
“International Placing Underwriters”	the underwriters of the International Placing Shares
“International Placing Underwriting Agreement”	the conditional underwriting agreement relating to the International Placing which is expected to be entered into by, among others, the Sole Global Coordinator, the International Placing Underwriters, Mr. Chen, Mr. Chen Sheng Guan, Master Professional and Summit Quest, the executive Directors and the Company on or around the Price Determination Date, as further described in the section headed “Underwriting” in this prospectus
“International Sanctions Laws”	sanctions-related laws and regulations issued by the U.S. government, the EU, the United Nations or the Australia government

DEFINITIONS

“Jiangxi Styler”	Jiangxi Styler Industrial Co., Ltd* (江西絲黛實業有限公司), a limited liability company established in the PRC on 19 December 2007 and an indirect wholly owned subsidiary of our Company
“Joint Bookrunners”	China Investment Securities International Brokerage Limited, Ping An of China Securities (Hong Kong) Company Limited and Orient Securities (Hong Kong) Limited
“Joint Lead Managers”	China Investment Securities International Brokerage Limited, Ping An of China Securities (Hong Kong) Company Limited, Orient Securities (Hong Kong) Limited, Quam Securities Company Limited, Convoy Investment Services Limited and Grand China Securities Limited
“Latest Practicable Date”	21 September 2015, being the latest practicable date for the purpose of ascertaining certain information in this prospectus prior to its printing
“laws”	include all laws, rules, regulations, guidelines, opinions (whether formally published or not), notices, circulars, orders, judgements, decrees or rulings of any court, government, governmental or regulatory authority whether or not ejusdem generis with any of the foregoing (including, without limitation, the Stock Exchange) and “law” shall be construed accordingly
“Listing”	the listing of the Shares on the Main Board
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange
“Listing Date”	the date on which dealings in our Shares on the Main Board first commence
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
“Macau”	The Macau Special Administrative Region of the PRC
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“Master Professional”	Master Professional Holdings Limited, a limited liability company incorporated in the BVI on 20 January 2015 and wholly owned by Mr. Chen, a Controlling Shareholder

DEFINITIONS

“Master Venture”	Master Venture Enterprises Holdings Limited, a limited liability company incorporated in the BVI on 20 January 2015 and wholly owned by Ms. Zhou
“Memorandum of Association” or “Memorandum”	the memorandum of association of our Company, adopted on 7 August 2015 as amended from time to time
“MOFCOM” or “Ministry of Commerce”	the PRC Ministry of Commerce* (中華人民共和國商務部), or its predecessor, the Ministry of Foreign Trade and Economic Cooperation, as appropriate to the context
“Mr. Chen	Mr. Chen Sheng Bi (陳聖弼), the chairman of our Board, a Controlling Shareholder and an executive Director of our Group
“Mr. Chen Sheng Guan”	Mr. Chen Sheng Guan (陳聖冠), the brother of Mr. Chen, a holder of the entire equity interest of Summit Quest and a Controlling Shareholder
“Mr. Lin”	Mr. Lin Xin Fu (林新福), an executive Director and a holder of the entire equity interest of Venture Master
“Ms. Chen”	Ms. Chen Sheng (陳升), the sister-in-law of Mr. Chen and Mr. Chen Sheng Guan and a non-executive Director of our Group
“Ms. Zhou”	Ms. Zhou Li Min (周麗敏), a holder of the entire equity interest in Master Venture
“NPC” or “National People’s Congress”	the National People’s Congress of the PRC (中華人民共和國全國人民代表大會)
“Non-competition Deed”	the deed of non-competition dated 7 August 2015 made by our Controlling Shareholders in favour of our Company (for itself and as trustee for its subsidiaries), which contains certain non-competition undertakings given in favour of our Group, the particulars of which are set out in the section headed “Relationship with our Controlling Shareholders” in this prospectus
“OFAC”	the United States Department of Treasury’s Office of Foreign Assets Control
“Offer Price”	the final price per Offer Share (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%)
“Offer Shares”	the Hong Kong Offer Shares and the International Placing Shares

DEFINITIONS

“Over-allotment Option”	the option expected to be granted by our Company to the International Placing Underwriters, exercisable by Sole Global Coordinator (on behalf of the International Placing Underwriters) subject to the terms and conditions of the International Placing Underwriting Agreement pursuant to which our Company may be required to allot and issue up to an aggregate of 28,125,000 additional Offer Shares (representing 15% of the initial number of the Offer Shares) to cover over-allocations in the International Placing and/or to satisfy the obligation of the Stabilising Manager to return securities borrowed under the Stock Borrowing Agreement, particulars of which are set out in the section headed “Structure of the Global Offering” in this prospectus
“PRC Customs”	General Administration of Customs of the PRC* (中華人民共和國海關總署)
“PRC Legal Advisers”	Tian Yuan Law Firm, legal advisers of our Company as to PRC laws in connection with the Listing
“PRC Subsidiaries”	Jiangxi Styler, Yiwu Partytime and Yiwu Styler
“Predecessor Companies Ordinance”	The Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as in force from time to time before 3 March 2014
“Pre-IPO Investment”	the pre-IPO investment by Richest Place, details of which are set out in the section headed “History and Corporate Structure — Pre-IPO Investment” in this prospectus
“Price Determination Date”	the date, expected to be on or about 6 October 2015, on which the Offer Price is determined and, in any event, no later than 9 October 2015
“Reorganisation”	the corporate reorganisation of our Group conducted in preparation for the Listing, details of which are set out in the section headed “History and Corporate Structure” in this prospectus
“Reporting Accountants”	Grant Thornton Hong Kong Limited, Certified Public Accountants, Hong Kong, the reporting accountants of our Company
“Repurchase Mandate”	the general conditional mandate to repurchase Shares given to our Directors by our Shareholders, further details of which are contained in Appendix V headed “Statutory and General Information” to this prospectus

DEFINITIONS

“Richest Place”	Richest Place Limited (匯盈有限公司), a limited liability company incorporated in Hong Kong on 24 September 2010 and wholly-owned by Cheerful Rise
“RMB”	Renminbi, the lawful currency of the PRC
“SAFE”	the State Administration of Foreign Exchange of the PRC* (中華人民共和國國家外匯管理局)
“SAIC”	the State Administration of industry and commerce of the PRC* (國家工商行政管理總局商標局)
“Sanctioned Countries”	countries which are the targets of economic sanctions as administered by the U.S. , the EU, the United Nations and Australia
“Sanctioned Person(s)”	certain person(s) and entity(ies) listed on the United States Department of Treasury’s Office of Foreign Assets Control Specially Designated Nationals and Blocked Persons List or other restricted parties lists maintained by the EU, the United Nations or Australia
“SAT”	the State Administration of Taxation of the PRC* (中華人民共和國國家稅務總局)
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) with nominal value of HK\$0.01 each in the share capital of our Company
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 7 August 2015, the principal terms of which are summarised in Appendix V headed “Statutory and General Information” to this prospectus
“Shareholder(s)”	shareholder(s) of our Company from time to time
“Sole Global Coordinator”	China Investment Securities International Brokerage Limited, a licensed corporation under the SFO to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities, acting as the sole global coordinator of the Global Offering
“Sole Sponsor”	China Investment Securities International Capital Limited, a licensed corporation under the SFO to carry on type 6 (advising on corporate finance) regulated activity, acting as the sponsor to our Company’s application for the Listing

DEFINITIONS

“Stabilising Manager”	China Investment Securities International Brokerage Limited
“Standing Committee of the NPC”	The Standing Committee of the National People’s Congress of the PRC (中華人民共和國全國人民代表大會常務委員會)
“State Council”	the State Council of the PRC, namely the Central People’s Government of the PRC (中華人民共和國國務院)
“Stock Borrowing Agreement”	the stock borrowing agreement expected to be entered into between the Stabilising Manager and Master Professional on or around the Price Determination Date
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Summit Quest”	Summit Quest Holdings Limited, a limited liability company incorporated in the BVI on 20 January 2015 and wholly owned by Mr. Chen Sheng Guan, a Controlling Shareholder
“Takeovers Code”	the Code on Takeovers and Mergers of Hong Kong
“Track Record Period”	comprises the period for the three years ended 31 December 2014 and the three months ended 31 March 2015
“Underwriters”	the Hong Kong Underwriters and the International Placing Underwriters listed in the section headed “Underwriting” in this prospectus
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Placing Underwriting Agreement
“United States”, “U.S.” or “US”	the United States of America
“U.K.” or “UK”	the United Kingdom
“U.S. dollar(s)” or “US\$” or “USD”	United States dollars, the lawful currency for the time being of the United States
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“Venture Master”	Venture Master Enterprises Holdings Limited, a limited liability company incorporated in the BVI on 20 January 2015 and wholly owned by Mr. Lin

DEFINITIONS

“WHITE Application Form(s)”	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be issued in the applicant’s or applicants’ own name(s)
“Win Profit”	Win Profit Enterprises Holdings Limited, a limited liability company incorporated in the BVI on 25 February 2015 and a direct wholly owned subsidiary of our Company
““WithCity” e-shops”	two “WithCity” e-shops on 天貓 TMALL.com (“www.tmall.com”) and 京東 JD.com (“www.jd.com”) for online sales of our OBM products under the brand of “WithCity” to PRC domestic customers
“YELLOW Application Form(s)”	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be deposited directly into CCASS
“Yichun Production Plant”	the production site of our Group located in Yichun City (宜春市), Jiangxi Province (江西省), the PRC
“Yiwu Partytime”	Partytime Costume & Lingerie (Yiwu) Co., Ltd* (義烏市派對服飾有限公司), a limited liability company established in the PRC on 24 June 2007 and an indirect wholly owned subsidiary of our Company
“Yiwu Production Plant”	the production site of our Group located in Yiwu City (義烏市), Zhejiang Province (浙江省), the PRC
“Yiwu Styler”	Yiwu Styler Cultural & Creative Co., Ltd.* (義烏市絲黛文化創意有限公司), formerly known as Yiwu Styler Wigs Co., Ltd.* (義烏市絲黛假髮有限公司), a limited liability company established in the PRC on 10 March 2004 and an indirect wholly owned subsidiary of our Company
“%”	per cent.
“sq. m.”	square metre(s)

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

If there is any inconsistency between the Chinese names of entities and their English translations, the Chinese names shall prevail. The English translation of company names in Chinese or another language which are marked with “” and the Chinese translation of company names in English which are marked with “*” is for identification purpose only.*

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain terms and definitions used in this prospectus in connection with our Group and its business. The terms and their meanings may not correspond to standard industry meaning or usage of those terms.

“ASTM”	American Society for Testing and Materials
“BSCI”	Business Social Compliance Initiative
“CMS”	contract manufacturing service, whereby products manufactured are marketed and sold under the customer’s own brand names; depending on the circumstances, the manufacturer may also be responsible for designing the products in accordance with the customer’s requirements or specifications
“Cosplay”	a participant of cosplay wear costumes and wigs to represent a specific character or idea
“EN71”	European Standard 71, a safety standard for toys sold in the European Union
“FOB”	Free On Board
“GDP”	Gross Domestic Product
“GSV”	Global Security Verification
“ISO”	the International Organisation of Standardisation, world-wide federation of rational standard bodies
“ISO 14001: 2004”	the certification for an internationally recognised standard for environmental management system
“ISO 9001: 2008”	the certification for an internationally recognised standard for quality management
“LED”	Light-Emitting Diode
“OBM”	original brand manufacturing under which the manufacturer develops and owns the design of products which are sold under such manufacturer’s own brand names
“OEM”	original equipment manufacturing whereby products are manufactured in accordance with the customer’s design and specification and are marketed under the customer’s brand name

GLOSSARY OF TECHNICAL TERMS

“OHSAS 18001: 2007”	the certification for an internationally recognised standard for occupational health and safety management system
“REACH”	a European Union regulation concerning the Registration, Evaluation, Authorisation and Restriction of chemicals
“Sedex”	Supplier Ethical Data Exchange, a not for profit global membership organisation promoting responsible and ethical business practices in global supply chains
“sexy lingerie”	a kind of lingerie which focuses on “sexy and mysterious” features and creates a strong and attractive visual perception and eventually forming a visual stimulus to stimulate human’s five senses and arousing human’s sexual interest
“TCQC”	Tesco Certified Quality Control
“VAT”	value-added tax

FORWARD-LOOKING STATEMENTS

This prospectus contains certain forward-looking statements and information relating to our Group are based on our beliefs as well as assumptions made by and information currently available to our management, as such they are by their nature subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- our business and operating strategies, plans, objectives and goals;
- the nature of, and potential for, future development of our business;
- various business opportunities that we may pursue;
- changes in competitive conditions and our ability to compete under these conditions;
- changes to the regulatory environment and general outlook in the industry and markets in which we operate;
- our expectations with respect to our ability to acquire and maintain regulatory qualifications required to operate our business;
- future developments, trends and conditions in the industry and markets in which we operate;
- our future debt levels and capital needs;
- our financial conditions and performance; and
- our dividend policy.

The words “aim”, “anticipate”, “believe”, “can”, “could”, “expect”, “going forward”, “intend”, “may”, “might”, “plan”, “project”, “seek”, “should”, “will”, “would” and the negative forms of these words with similar expressions, as they relate to us, are intended to identify a number of these forward looking statements. These forward-looking statements reflecting our current views with respect to future events are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions, including the risk factors described in the section headed “Risk Factors” in this prospectus. One or more of these risks or uncertainties may materialise.

Subject to the requirements of the Listing Rules, our Company does not have any obligation and does not undertake to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or developments or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way our Company expects, or at all. Hence, should one or more of these risks or uncertainties materialise, or should underlying assumptions prove to be incorrect, our financial condition may be adversely affected

FORWARD-LOOKING STATEMENTS

and may vary materially from those described herein as anticipated, believed, estimated or expected. Accordingly, such statements are not a guarantee of future performance and you should not place undue reliance on such forward-looking information. All forward-looking statements in this prospectus are qualified by reference to the cautionary statement set out in this section.

In this prospectus, statements of or references to our intentions or those of any of our Directors are made as at the date of this prospectus. Any such intentions may change in light of future developments.

RISK FACTORS

You should consider carefully all the information set out in this prospectus and, in particular, should consider and evaluate the following risks and uncertainties associated with an investment in our Company before making any investment decision in relation to our Company. The business, financial position, or results of business operation of our Group can be materially and adversely affected by any of these risks. The market price of the Offer Shares could fall significantly and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

We face risks associated with the marketing and sales of our products to our export destinations, and if we are unable to effectively manage these risks, our ability to conduct or expand our business abroad could be impaired.

We had established a sales network across over 30 countries as at the Latest Practicable Date. During the Track Record Period, approximately 96.6%, 98.3%, 98.4% and 96.9% of our revenue, respectively, was generated from sales to overseas customers. Thus, we rely heavily on our export sales, and our financial performance may therefore be tied to the fluctuations in the global economy. We cannot guarantee that we can continue to expand our customer base and generate significant revenue from export sales and thus there is a possibility that we cannot maintain the existing level of sales to overseas customers. If our overseas customers do not maintain their existing levels of purchase orders from us, it could have a material adverse effect on us. To the extent that we do not maintain our existing levels of business with our overseas customers, we will need to attract new customers or develop new business with our existing customers. If we are not able to do so, our business, financial condition and results of operations may be adversely affected.

The marketing and sales of our products to overseas customers also expose us to a number of risks including:

- the imposition of trade barriers, such as export requirements, tariffs, taxes and other restrictions and expenses, which could increase the prices of our products and make our products less competitive in some countries;
- political tension arising from dispute between the PRC and other countries such as the US;
- fluctuations in exchange rates of foreign currencies against the RMB;
- impact of commercial and legal requirements in jurisdictions where our products are offered;
- unfavourable changes in the political, regulatory and business climate in jurisdictions where our products are offered; and

RISK FACTORS

- our inability to obtain, maintain or enforce intellectual property rights in the overseas countries to which our products are exported.

If we are unable to effectively manage these risks, our ability to conduct or expand our business abroad would be impaired, which may in turn have a material adverse effect on our business, financial condition, results of operations and prospects.

We are subject to risks of fluctuations in the exchange rate between the RMB and the USD.

During the Track Record Period, approximately 96.6%, 98.3%, 98.4% and 96.9% of our revenue are denominated in US dollars. Our profit margins will be adversely affected to the extent that we are unable to increase the USD denominated selling prices of our products sold to overseas customers or shift the exchange risk to our customers to account for the appreciation of the RMB against the USD. Further, any significant fluctuation in the exchange rates between the RMB and the USD may result in increases or decreases in our reported costs and earnings, and may also materially affect our business and results of operations. Any future exchange rate volatility relating to the RMB may also give rise to uncertainties in the values of net assets, profits and dividends. However, we cannot assure you that such arrangement will be risk-free. Any loss resulting from such arrangement may materially and adversely affect our financial condition and results of operations.

We may experience a decrease or discontinuation of tax rebate towards exported goods.

During the Track Record Period, we enjoyed a tax rebate from the PRC tax authority at the rate of 13% for most of our cosplay wigs and 16% and 17% for our cosplay costumes and sexy lingerie respectively. The export tax rebate we received for the Track Record Period were approximately RMB18.0 million, RMB19.9 million, RMB30.3 million and RMB4.9 million respectively. The tax rebate comprised a refund of VAT incurred on the raw materials used for our production in the PRC, which products were subsequently exported to overseas countries. There is no assurance that PRC governmental policies on tax rebate will remain unchanged or that the current policies we benefit from will not be cancelled. Tax rebate is a crucial part of exporters' profit. If there is any reduction, suspension or discontinuation of tax rebate policy, the resulting increase in our tax liability would adversely affect our business and results of operations.

We may be subject to claims in respect of product quality and safety standards by end-customers of our products and our insurance coverage does not include product liability.

Most of our CMS customers and our overseas OBM customers will further sell our products to their overseas end-customers and we also sell our products to end-customers in the PRC via online platforms. As such, as manufacturer of our products, we may face an inherent risk of exposure to product liability claims in the event that the use of our products results in any health or safety issue or damage. The end-customers of our products may have the right to bring actions against us under tort and we may also be subject to tortious liabilities for any damage caused by defects of our products.

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According to the Tort Law of the PRC* (中華人民共和國侵權責任法) which became effective in 2010, if any individual suffers from financial damages or physical injuries due to inferior product quality, the manufacturer of the due product and the seller of such product shall assume civil liability in accordance with the laws.

We generally do not maintain any insurance policy which covers product liability of our products unless specifically requested by individual customer although our operations are subject to hazards and risks that could cause injury or damage to person or property. Our Directors take the view that it is not commercially viable if we maintain insurance policies covering product liabilities for all of our products unless our customers specifically request for such product liability coverage. As such, we are exposed to product liability claim from our customers or end-customers of our products.

If any end-customer claims against us in respect of our products or should there be any material recall of our products, we may suffer from (i) legal costs incurred in connection with such claim or other adverse allegations or rectification of such defects; (ii) damages to our brands and corporate image; and (iii) material adverse effects on our sales, results of operations and financial conditions.

We may not be able to maintain our growth or implement our business plan successfully.

Our revenue amounted to approximately RMB245.8 million, RMB298.8 million and RMB397.9 million for the three years ended 31 December 2014, respectively, representing a CAGR of approximately 27.2% for the three years ended 31 December 2014. Our net profit amounted to approximately RMB29.8 million, RMB37.2 million, RMB58.6 million and RMB12.6 million for the three years ended 31 December 2014 and the three months ended 31 March 2015. For the three years ended 31 December 2014 and the three months ended 31 March 2015, our gross profit margin was approximately 25.9%, 26.7%, 27.8% and 27.7% respectively. Our Directors attribute such increase in revenue and profitability in part to our ability to maintain our sales volume and sales network, uphold our product quality and expand our production capacity.

However, we may not be able to sustain such growth rates. Even if we are able to sustain such growth rates, we may not be able to do so efficiently. We also cannot assure you that we will be able to maintain our gross profit margin at or above its historical level during the Track Record Period as the average unit selling price of our products and our raw material prices may be affected by a variety of factors, which include but are not limited to changes in market demand for our products, supply of raw materials, changes in taxation and export policies and various other factors that are beyond our control. In the event we are unable to maintain or manage our growth, or if we experience pricing pressure or loss of market share, whether due to failure to manage changes in the cosplay product market and sexy lingerie market or otherwise, we may experience stagnant or negative growth, which can impair our business, financial condition and results of operations.

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We do not enter into long-term contracts with our customers, which exposes us to uncertainty and potential volatility with respect to our revenue from time to time.

We do not enter into long-term contracts with either our CMS or OBM customers and we typically enter into sales orders with them on a per order basis. We believe that the quality of our products have attracted our customers to purchase from us. However, we are not exclusive supplier of our customers and we do not receive guaranteed orders from them. There is no assurance that our customers will continue to purchase products from us or that they will not purchase cosplay products and sexy lingerie from other suppliers whom they perceive would offer products or services of equal or superior quality or at lower prices than ours.

Accordingly, the volume of our customers' purchase orders and our product mix may vary significantly from period to period, and it would be difficult for us to accurately forecast future order quantities. We cannot assure you that any of our customers will continue to place purchase orders with us in the future at the same level as that of the current or prior periods, or at all. Furthermore, the actual volume of our customers' purchase orders may be inconsistent with our expectations at the time we plan our expansion and expenditures. As a result, our results of operations may vary from period to period and may fluctuate significantly in future.

Our planned expansion in OBM sales may come into direct competition with our CMS customers and result in the loss of such customers.

Our sales from CMS business is a primary revenue generator and our relationships with some of the prominent CMS customers in such developed markets as the US, Germany and the UK are crucial to our income and our on-going presence in these markets. Our OBM sales have remained low-profile in the past. As our OBM sales take off and our brands become more notable in overseas markets, we may come into direct competition with our CMS customers. We cannot assure you that our CMS customers will continue to place orders with us along the expansion of our OBM sales. As we do not enter into long-term contracts with our customers, we may experience a material decrease in our revenue from CMS business if our customers withdraw from existing business relationship with us. Any significant reduction of sales or loss of any of our customers can materially and adversely affect our business, financial condition and results of operations.

We may be subject to risks in relations to our intellectual property rights and we may be exposed to claims in respect of the infringement of third party intellectual property rights.

The success of our business relies heavily upon our ability to protect our intellectual property rights and those of our CMS customers (concerning mainly product design and specifications) that came into our possession for the production of our CMS and OBM products. We cannot give assurance that our measures intended to protect the above-mentioned intellectual property rights are sufficient in preventing any possible infringement by third parties, or any possible leakage of confidential information relating to these intellectual property rights by our staff who have access to such information.

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Therefore, there is no assurance that we will be able to sufficiently protect our intellectual property rights. If our intellectual property rights are infringed by third parties, our business will be materially and adversely affected. If confidential information relating to our CMS customers' intellectual property rights that come into our possession during the course of production of our CMS products is leaked out by our staff, our reputation and business relationship with the relevant CMS customers may be materially and adversely affected.

Further, under our CMS business model, we cannot assure you that the designs provided by our customers or developed by us based on our customers' specifications and the products bearing our customers' trademark(s) will not infringe any third party's intellectual property rights, and in case of infringement, we may be subject to claims by such third parties. There is no indemnity provision in the contract entered into between our CMS customers and us, which would entitle us to claim indemnity from our CMS customers in the event of infringement. If our CMS products are proved to have infringed any third party intellectual property rights, we may be required to compensate the owner of the intellectual property right for the damages suffered as a result of the infringement or to pay a fine for such infringement. We confirm that during the Track Record Period, we did not receive any claim related to any alleged intellectual property right infringement against us. Nevertheless, there is no assurance that we will not face such claims in future. In such event, our business may be materially and adversely affected.

Our research and development on new technologies may not be successful and our research and development of new products may not be well-received by the market.

We regard research and development capabilities as our key competitive edge and we devote substantial resources to further strengthen our research and development capabilities, especially in the areas of technologies enhancement and product development. For the three years ended 31 December 2014 and the three months ended 31 March 2015, our expenses on the research and development amounted to approximately RMB5.8 million, RMB7.5 million, RMB8.6 million and RMB2.1 million, respectively. During the Track Record Period, over 80% of our products (including both CMS and OBM products) are designed and developed in-house. Our Directors believe that our creative capacities, experienced talents and advanced technologies are key differentiating factors that sets us apart from the rest of the industry and the basis on which our self-owned brands are established and developed. However, product development can be a costly process and does not necessarily lead to the birth of a marketable new product. Instead, some of our new plans and pilot designs might end up failing to come through reviews and our prior input would go to waste.

Further, the results of research and development may remain unpredictable. Our market research regarding the latest trends of cartoons and animations may be inaccurate. If our designs fail to obtain recognition from our customers or if we lag behind our competitors in improving our product quality and expanding our product mix, we may not be able to maintain our competitiveness in the animation derivative industry, and hence our business and results of operations could be adversely affected.

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Moreover, a number of our CMS customers rely on our ability and our technologies to develop new products. If our research and development capacities fail to meet our customers' expectations, our business relationship with them may be adversely affected, which may have an adverse impact on our sales performance and reputation, and eventually affect our business and results of operations.

We could be adversely affected as a result of our operations and sales in countries that are subject to evolving economic sanctions by the US, the EU, the United Nations, Australia and other relevant sanctions authorities

Certain countries and organisations, including the US, the EU, Australia and the United Nations, have comprehensive or broad economic sanctions imposed upon the Sanctioned Countries. During the Track Record Period, we sold our products to customers in Russia, where certain Sanctioned Persons are located. The revenue generated from sales to customers in Russia for the three years ended 31 December 2014 and the three months ended 31 March 2015 accounted for nil, approximately 0.10%, 0.01% and nil, respectively, of our total revenue. Please refer to the section headed "Business — Business Activities in Sanctioned Countries" in this prospectus for detail regarding our business activities in Russia.

We undertake to the Stock Exchange that we will not use the net proceeds from the Global Offering as well as any other funding raised through the Stock Exchange to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, the Sanctioned Countries or any other government, individual or entity sanctioned by the US, the EU, Australia or the United Nations, which include, without limitation, any government, individual or entity that is the subject of any OFAC sanction. We also undertake to the Stock Exchange that we will not enter into any sanctionable transactions that would expose our Group, the Stock Exchange, HKSCC, HKSCC Nominees and our Shareholders or investors to any risk of being sanctioned. If we breach any of these undertakings to the Stock Exchange after the Listing, it is possible that the Stock Exchange may delist our Shares. In order to ensure our compliance with these undertakings to the Stock Exchange, we will continuously monitor and evaluate our business and take measures to protect the interests of our Group and our Shareholders. For detail regarding our internal control procedures, please refer to the section headed "Business—Business Activities in Sanctioned Countries—Our undertakings and internal control procedures" in this prospectus.

We cannot predict the interpretation or implementation of government policies in the US at the federal, state or local levels or any policy by the EU, the United Nations, Australia and other applicable jurisdictions with respect to any current or future activities by us or our affiliates in the Sanctioned Countries and with Sanctioned Persons. We intend not to undertake any future business that would cause our Group, the Stock Exchange, HKSCC, HKSCC Nominees, or our Shareholders or investors to violate or become a target of sanctions laws of the US, the EU, the United Nations or Australia. However, we can provide no assurances that our future business will be free of risk under sanctions implemented in these jurisdictions or that we will conform our business to the expectations and requirements of the US authorities or the authorities of any other government that may not have jurisdiction over our business but nevertheless assert the right to impose sanctions on an extraterritorial basis. Our business and reputation could be adversely

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affected if the government of the US, the EU, the United Nations or Australia or any other governmental entity were to determine that any of our activities constitutes a violation of the sanctions they impose or provides a basis for a sanctions designation of our Company. In addition, as many sanction programs are constantly evolving, new requirements or restrictions could come into effect, which might increase scrutiny on our business or result in one or more of our business activities being deemed to have violated sanctions, or being sanctionable.

In addition, certain US state and local governments and universities have restrictions on the investment of public funds or endowment funds, respectively, in companies that are members of corporate groups with activities in certain Sanctioned Countries and with Sanctioned Persons. As a result, concern about potential legal or reputational risk associated with our historical and on-going operations in the Sanctioned Countries and with Sanctioned Persons could also reduce the marketability of the Offer Shares to particular investors, which could affect the price of our Offer Shares and Shareholders' interests in our Group, despite our commitment not to direct the proceeds from the Global Offering to dealings with sanctioned parties. Before investing in our Shares, you should consider if such investment would expose you to any of the US, the EU or other sanctions law risk arising from your nationality or residency. Any of these events could have an adverse effect on the value of your investment in us.

Our sales performance may be materially affected by the changing trends and popularities of movie and animation characters.

Some of our cosplay products in our CMS business feature popular cosplaying characters originated from animation characters, comics, cartoons and movies. These products are manufactured under the authorisations given by our CMS customers who are licensees or proprietors of popular animation characters. As trends and popularity of these characters may change from time to time, market demand and the revenue thus generated from our products featuring these characters will be affected accordingly.

The popularity of animation characters are largely determined by the appeal of such characters to the target audience and the effectiveness of the marketing campaigns conducted for the animations or films from which they originated. Their popularity is also subject to changes in market trends. If these animation characters do not achieve our customers' desired levels of market acceptance or the popularity of which drops drastically, the sale of our products featuring these animation characters will be adversely affected correspondingly. Eventually, we may not receive similar levels of purchase orders from our customers as we did in the past and the revenue thus generated from the sale of products featuring these animation characters would be substantially lower than our expectation at the time when we plan our expansion and expenditures.

We may be unable to secure sufficient capital to implement our future plans in full and to finance our future working capital requirements.

We plan to expand our business in order to capture market opportunities. We expect to expand our production capacity through, among others, purchase of new machineries for our

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Yiwu Production Plant, construction of a research and development centre, an e-commerce operation centre and a service and experience centre in the Yiwu Production Plant and the construction of two new factory buildings at our Yichun Production Plant. For further details in this respect, please refer to the paragraphs headed “Business — Business Strategies — Enhance our Production Capacities” and “Future Plans and Use of Proceeds” in this prospectus. Additional capital may also be required in the future for our increasing needs for working capital as our operation grows. We anticipate that our capital requirements will be financed by the proceeds from the Global Offering as well as cash from operating and financing activities.

However, the proceeds from the Global Offering and cash from our operating and financing activities may not be sufficient to fund all of our future plans, in which event we may need to obtain alternative financing. There is no assurance that we will be able to obtain adequate financing on acceptable terms, or at all. Our ability to obtain additional capital on acceptable terms will be subject to a variety of uncertainties, which include but are not limited to:

- investors’ perceptions on the securities of these companies engaged in the manufacturing of cosplay products and non-cosplay apparels, as well as any of our future products;
- the prevailing condition in the capital and financial markets in which we may seek to raise funds;
- our results of operations, financial condition and cash flows in the future; and
- economic, political and other conditions in the PRC and the rest of the world.

If we are unable to obtain adequate capital in a timely manner and on acceptable terms, we may have to scale back our planned capital expenditures, which may adversely affect our ability to achieve our planned business strategies, and thus may have a material adverse effect on our business, financial condition and results of operations.

Our future growth will depend on our ability to successfully expand our production capacity.

The construction of two new factory buildings at our Yichun Production Plant may encounter such unexpected hiccups as delays, cost overrun, regulatory constraints and inaccurate financial projections, we may even experience issues of under-utilisation if demand for our products falls below our available productive capacities.

If we are unable to expand our production capacity as planned, this could have a material adverse effect on our business, financial condition and results of operations.

Our production plants are susceptible to mechanical failures, stoppages, interruptions, damages or losses caused by natural disasters, power shortages or other events beyond our control, and we currently only have limited insurance coverage over such interruptions, damages or losses.

Our operations are subject to hazards and risks that are typically associated with manufacturing operations which may cause significant injury or damage to person or property. We

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maintain insurance that covers personal injury expenses for our employees in the PRC. We also maintain insurance that covers damage on our Yichun Production Plant and Yiwu Production Plant caused by certain accidents and natural disasters such as fire. However, no assurance can be given that our existing insurance coverage will be able to cover all types of, or be sufficient to cover the full extent of any loss, theft of or damage to property or injury to person for which we may be held liable.

The above-mentioned hazards and risks include mainly mechanical failures, stoppages, interruptions, damages or losses to our production plants caused by fire, severe weather, earthquakes or other acts of God, government intervention or other events, which are beyond our control and could harm our business, results of operations and prospects.

In addition, our manufacturing processes require a stable source of electricity, especially since our manufacturing facilities are operating on longer shifts with less downtime in order to meet increased demand until new production plants are constructed and begin operation. Given the recent significant demand for electricity in the PRC, the local electricity supply may not be reliable or stable for consumption at all times. The backup power at our Yichun Production Plant and Yiwu Production Plant is not sufficient to support normal operations and we cannot guarantee that we will not experience blackouts or a shortage of electricity in the future.

There is no assurance that we will be able to have adequate electricity to sustain normal production, and any failure to do so may need to limit, delay or halt production, which may have a material adverse effect on our business results of operations.

We may not be able to maintain high utilisation rates at our production plants which may materially and adversely affect our margins and profitability.

Higher utilisation rates of our production plants allow us to allocate fixed costs over a greater unit of products produced, thus increasing our profit margins by means of economies of scale. During the Track Record Period, our Yichun Production Plant achieved average production utilisation rates of approximately 94.9%, 99.1%, 99.2% and 98.8% respectively, whereas our leased production plants in Yiwu City achieved average production utilisation rates of approximately 90.7%, 94.0%, 76.1% and 74.6% respectively. Our self-owned Yiwu Production Plant commenced production in February 2015 and achieved average production utilisation rates of approximately 41.5% for the three months ended 31 March 2015. The utilisation rates of our production plants depend primarily on the demand for our products. The utilisation rates may also be affected by various other factors, such as skills of our employees, adverse weather conditions, natural disasters and breakdown of our production equipment. There is no assurance that we will be able to maintain a comparable level of output and utilisation rates at our Yichun Production Plant and Yiwu Production Plant in the future. In the event we are unable to achieve high utilisation rates for any or all of our production plants, our business, financial condition and results of operations may be materially and adversely affected.

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Our success depends significantly on key management, our sales department and our research and development department and our ability to retain talents at each of these departments.

Our past success is attributable to the vision, experience, expertise, managerial and technical skills of our core management team led by Mr. Chen. Many members of our Directors and senior management of our Group have served our Group for more than six years. As at the Latest Practicable Date, we have entered into service agreements (which include non-competing provisions) with each of our Executive Directors and members of our senior management. Nevertheless such contracts may be terminated before the terms expire. There is also no assurance that all clauses will be strictly observed. The loss of any of our Executive Directors or members of our senior management may materially and adversely affect our business, prospects and results of operations.

Our success is also dependent on the continued service of our sales department and the creative and innovative capacities of our research and development department. Our ability to recruit and retain such staff is therefore crucial to the success of our business. Competition for suitable and qualified personnel in the animation derivative industry and sexy lingerie industry is intense and we always encounter problems in recruiting suitable talents. We may have to offer better remuneration packages in the future in order to retain the existing employees. Nevertheless, there is no assurance that we will be able to retain such employees or identify or recruit suitable and qualified new employees. If we fail to recruit or retain the necessary personnel, our business may be materially and adversely affected.

We may be unable to maintain our quality control systems effectively and this would result in our failure to live up with both international and domestic quality standards in relations to our operations and products.

The quality of our products are crucial to the success of our business. This depends significantly on the effectiveness of our quality control systems, which in turn, rely on a number of factors, which include but are not limited to the design of the quality control systems, the quality control training programme, and our employees' awareness in adhering to our quality control policies and guidelines. Any significant failure or deterioration of our Group's quality control systems could result in the production of defective or substandard products, delay in delivery of our products, replacement of defective or substandard products and damage to our reputation. As a CMS product provider, if our products do not meet the specifications and requirements agreed with or requested by our CMS customers, or if any of our products are defective, or result in our customers suffering losses as a result of product liability claims, we may be subject to product liability claims and litigations, claims for indemnity by our customers and other claims for compensation. We may also incur significant legal costs regardless of the outcome of any claim of alleged defect. Product failure or defects, and any complaints or negative publicity resulting therefrom, could result in decreased sales of these or other products, or claims or litigation against us regarding the quality of our products. As a result, it may have a material adverse effect on our business, reputation, financial condition and results of operations.

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In addition, although our Group has received internationally recognised certifications relating to environmental and quality management standards such as ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007 certifications, and is recognised by the GSV, Sedex and BSCI, as well as domestic quality standards such as Work Safety Standardisation Certificate* (安全生產標準化證書) and recognitions from our overseas customers, we cannot assure you that we can continue to maintain our quality control systems effectively and we will not lose such international and domestic recognitions in future. Our Directors believe these recognitions and certifications are a significant contributor to our overall success. Accordingly, any significant failure or deterioration of our quality control systems could result in a loss of such recognitions and certifications, which in turn may have a material adverse effect on our sales performance, reputation and prospects.

We do not enter into any long-term agreement with our suppliers, which exposes us to uncertainty and potential volatility with respect to our costs of raw materials and supply of raw materials.

We purchase raw materials such as synthetic fibres and fabrics from third party suppliers for our business. Our raw material costs represent a substantial portion of our total cost of sales. For the three years ended 31 December 2014 and the three months ended 31 March 2015, raw material costs accounted for approximately 68.8%, 69.4%, 68.9% and 67.2% of our total cost of sales, respectively. Our production volume and production costs therefore depend on our ability to source quality materials at competitive price.

As at the Latest Practicable Date, we had not entered into any long-term agreements with our suppliers. The prices of most of our raw materials generally follow the price trends of, and vary with, the prevailing market condition. There is no assurance that we can continue to secure adequate supplies of raw materials at a competitive cost level to meet our production requirements. If we experience an interruption, reduction or termination in supply of raw materials from our suppliers, or an increase in the cost of raw materials, we may not be able to have a stable and adequate supply of raw materials needed for the production of our products. There is also no assurance that we will be able to pass our cost increases to the customers in a timely manner to avoid adverse impacts on our margins, and any failure to do so may have a material effect on our business and results of operations.

We may experience a shortage of labour or our labour costs may continue to increase.

Our production remains highly labour-intensive. As at the Latest Practicable Date, we had a total of 1,875 employees. Alongside the expansion of our production capacity and increase of our production, our need for production personnel will increase. Moreover, labour costs have increased in the PRC in recent years. There is no assurance that we will not experience any shortage of labour for our production or that the costs of labour in the PRC will not continue to increase in the future. Furthermore, if labour costs continue to increase in the PRC, our production costs may increase eventually and we may not be able to shift these extra costs to our customers due to competitive pricing pressures among our competitors.

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If we fail to retain our existing labour and/or recruit sufficient labour in a timely manner, we may not be able to accommodate any increase in demand for our products or smoothly implement our expansion plans, our business, prospects, financial condition and results of operations would be materially and adversely affected.

We operate in a competitive environment.

From a global perspective, developing countries like the PRC, Indonesia, Vietnam and Mexico take up the major portion of global exports in cosplay costumes, cosplay wigs and sexy lingerie due to their abundant supplies of labour and raw materials. As demand for animation derivatives and cosplay products increases, it is anticipated that competition will also increase. Increased competition may result in lower profit margins and loss of market share, which may adversely affect our business and results of operations.

We compete primarily on basis of, among others, quality and services, our ability to meet customers' specific product requirements, timeliness of delivery and pricing. As new competitors enter into the animation derivative industry and sexy lingerie industry, we may not be able to maintain or expand our sales of cosplay products and sexy lingerie or to continue to compete effectively against current and potential competitors.

Cosplay wigs, cosplay costumes and sexy lingerie are not necessities and demand for them can be volatile.

As our cosplay wigs, cosplay costumes and sexy lingerie are not necessities, demand for them depends, to a significant extent, on a number of factors relating to discretionary consumer spending. These factors include, among other things, general economic conditions and perceptions of such conditions by consumers, employment rates, the level of consumers' disposable income, business conditions and interest rates. An economic downturn in the markets in which our products are sold could significantly decrease demand for these products, thus reducing the number of purchase orders we receive from our customers, which could have a material adverse effect on our business, financial condition and results of operations.

Changes in legal requirements and governmental policies concerning environmental protection could impact our business.

We are subject to PRC environmental laws and regulations, which include the Environmental Protection Law of the PRC* (中華人民共和國環境保護法), Law of the PRC on the Prevention and Control of Water Pollution* (中華人民共和國水污染防治法), Law of the PRC on the Prevention and Control of Atmospheric Pollution* (中華人民共和國大氣污染防治法), Law of the PRC on the Prevention and Control of Pollution from Environmental Noise* (中華人民共和國環境噪聲污染防治法) and Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste* (中華人民共和國固體廢物污染環境防治法). These laws and regulations govern a broad range of environmental matters, including air pollution, water pollution, noise emissions and waste discharge.

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According to current PRC national and local environmental protection laws and regulations, any enterprise which discharges wastewater, waste disposal, or polluted air is required to seek approval for the establishment of such an enterprise in the PRC from the relevant environmental protection authorities. The relevant PRC laws and regulations also require any such enterprise to carry out an environmental impact assessment before commencing construction of its production plants and ensure that such production plants meet the prevailing relevant environmental standards to treat waste water.

These environmental protection laws and regulations are complex and are constantly evolving and becoming more stringent. We may not always be able to quantify the cost of complying with such laws and regulations. Any violation of the PRC environmental protection laws and regulations could subject us to a substantial fine, damage our reputation, result in delays in production or temporary or permanent closing of some or all of our production plants.

There is no assurance that the national or local authorities will not enact additional laws or regulations or amend or enforce new regulations in a more rigorous manner. Changes in environmental protection laws and regulations may require us to alter production processes, which could result in increased costs and could harm our financial condition and results of operations. Stricter laws and regulations, or more stringent interpretations of existing laws or regulations, may impose new liabilities on us, reduce operating hours, require additional investment by us in pollution control equipment, or impede the opening of new or expanding existing plants or facilities. We could be forced to invest in preventive or remedial action, like pollution control facilities, which could incur substantial costs. Such costs, liabilities or disruptions in operations could materially and adversely affect our business, financial condition and results of operations.

We rely on independent logistic companies and delivery agents.

We do not have our own transportation team in respect of the delivery of our export sales to the FOB ports. During the Track Record Period and up to the Latest Practicable Date, we entered into contracts with independent logistic companies and delivery agents for transportation or delivery of our products to domestic locations or port designated by our customers. Should the logistic companies and delivery agents fail to comply with the terms of our contracts with them or any regulatory requirements, they may fail to transport or deliver our products to our customers in a timely manner or at all. Upon any failure by our existing logistic companies or delivery agents to discharge their delivery obligations, we may not be able to find other suitable replacements on a timely basis, and our business, financial performance and operations may thereby be adversely and materially affected.

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RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

All of our business assets and operations are in the PRC, and all our revenue is derived in the PRC. Accordingly, our results of operations, financial position, performance and prospects are subject, to a significant degree, to economic, political and legal developments in the PRC, including the following risks:

The economic, political and social conditions in the PRC, as well as government policies, laws and regulations, could affect our business, financial condition and results of operations.

All our business assets are in the PRC and all of our revenue is derived from our operations in the PRC. Accordingly, our results of operations and prospects are, to a significant degree, subject to economic, political and legal developments in the PRC. The PRC's economy differs from the economies of most developed countries in many respects, including the extent of government involvement, its level of development, its growth rate and its control over foreign exchange. The PRC's economy has been transitioning from a planned economy to a more market-oriented economy. In recent years, the PRC government has implemented measures emphasising market forces for economic reform, the reduction of State ownership of productive assets and the establishment of sound corporate governance in business enterprises. However, a portion of productive assets in the PRC is still owned by the PRC government. The PRC government continues to play a significant role in regulating industrial development. It also exercises significant control over the PRC's economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policies and providing preferential treatments to particular industries or companies. All of these factors could affect the economic conditions in the PRC and, in turn, our business.

While the economy of the PRC has experienced significant growth in the past 20 years, growth has been uneven across both geographic regions and the various sectors of the economy and that growth may not continue. We cannot predict whether our results of operations and financial condition could be materially and adversely affected by changes in economic conditions in the PRC, or the PRC governmental monetary policies, interest rate policies, tax regulations or policies and regulations.

Uncertainties with respect to the PRC legal system could limit the legal protections available to you and us.

Our operating subsidiaries are incorporated under the laws of the PRC. The PRC legal system is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. In 1979, the PRC government began to promulgate a comprehensive system of laws and regulations governing economic matters in general, such as foreign investment, corporate organisation and governance, commerce, taxation and trade. As substantially all of our businesses are conducted in the PRC, our operations are principally

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governed by PRC laws and regulations. However, since the PRC legal system continues to rapidly evolve, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involves uncertainties, which may limit legal protections available to us.

Furthermore, intellectual property rights and confidentiality protections in the PRC may not be as effective as in the U.S. or other countries. Our Group devotes substantial resources on our research and development of new products and technologies. Given that the current legal system in the PRC provides insufficient protection against infringement of intellectual property rights and the PRC market is very capable of design replications, we may not be able to enjoy the fair return for our originality and our input in the development of new products.

In addition, we cannot predict the effect of future developments in the PRC legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the pre-emption of local regulations by national laws. These uncertainties could limit the legal protections available to us and other foreign investors, including you. In addition, any litigation in the PRC may be protracted and result in substantial costs and diversion of our resources and management attention.

PRC regulation of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the proceeds of the Global Offering to make loans or additional capital contributions to our PRC subsidiaries.

In utilising the proceeds from the Global Offering or any further offering, as an offshore holding company of our PRC subsidiaries, we may make loans to our PRC subsidiaries, or we may make additional capital contributions to our PRC subsidiaries. Any loans to our PRC subsidiaries are subject to PRC regulations and approvals. For example, loans by us to our wholly owned PRC subsidiaries in the PRC to finance their activities cannot exceed statutory limits and must be registered with the SAFE or its local counterpart. We may also decide to finance our PRC subsidiaries through capital contributions. These capital contributions must be approved by the MOFCOM or its local counterparts. We cannot assure you that we will be able to obtain these government registrations or approvals on a timely basis, if at all, with respect to future loans or capital contributions by us to our subsidiaries or any of their respective subsidiaries. If we fail to receive such registrations or approvals, our ability to use the proceeds of the Global Offering and to capitalise our PRC operations may be negatively affected, which could adversely and materially affect our liquidity and our ability to fund and expand our business.

PRC government controls over currency conversion and fluctuation of RMB could affect our financial condition and results of operations.

Most of our revenue is denominated in US dollars and settled in RMB. The PRC Government imposes controls over the convertibility of RMB into foreign currencies and the remittance of currency out of the PRC in some cases. Under existing PRC foreign exchange regulations, payments of current account items including profit distributions, interest payments and expenditures from trade related transactions can be made in foreign currencies without prior

RISK FACTORS

approval from the SAFE or its local counterparts provided that we satisfy certain procedural requirements. However, capital account transactions must be approved by or registered with the SAFE or its local counterparts. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders, which would adversely affect the value of your investment.

We are a holding company and we rely on dividend payments from our subsidiaries for funding, which are subject to restrictions under PRC laws.

We are a holding company incorporated in the Cayman Islands, and we operate our core businesses through our subsidiaries in the PRC. Therefore, the availability of funds for us to pay dividends to our Shareholders and to service our indebtedness depends upon dividends received from these PRC subsidiaries. If our subsidiaries incur debt or losses, their ability to pay dividends or other distributions to us may be impaired. As a result, our ability to pay dividends and to repay our indebtedness will be restricted. PRC laws require that dividends be paid only out of the after-tax profit of our PRC subsidiaries calculated according to PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions. PRC laws also require enterprises established in the PRC to set aside part of their after-tax profits as statutory reserves. These statutory reserves are not available for distribution as cash dividends. In addition, restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future may also restrict the ability of our subsidiaries to pay dividends to us. These restrictions on the availability of our funding may impact our ability to pay dividends to our Shareholders and to service our indebtedness.

We may be deemed a PRC “resident enterprise” under the EIT Law and be subject to PRC taxation on our worldwide income.

The EIT Law and its implementation regulations issued by the State Council defines the term “de facto management bodies” as “bodies that substantially carry out comprehensive management and control on the business operation, employees, accounts and assets of enterprises”. Under the EIT Law, a foreign enterprise whose “de facto management bodies” are located in the PRC is considered a “resident enterprise” and will be subject to an uniform 25% enterprise income tax rate on its global income. In April 2009, the SAT further specified certain criteria for the determination of what constitutes “de facto management bodies” for foreign enterprises which are controlled by PRC enterprises. If all of these criteria are met, the relevant foreign enterprise controlled by a PRC enterprise will be deemed to have its “de facto management bodies” located in the PRC and therefore be considered a PRC resident enterprise. These criteria include whether: (i) the enterprise’s day-to-day operational management is primarily exercised in the PRC; (ii) decisions relating to the enterprise’s financial and human

RISK FACTORS

resource matters are made or subject to approval by organisations or personnel in the PRC; (iii) the enterprise's primary assets, accounting books and records, company seals, and board and shareholders' meeting minutes are located or maintained in the PRC; and (iv) 50% or more of voting board members or senior executives of the enterprise habitually reside in the PRC.

We are currently not treated as a PRC resident enterprise by the relevant tax authorities in the PRC. Since our production plants, the daily management of our operation, assets and our management are all based in the PRC, we cannot give any assurance that we will not be considered as a "resident enterprise" under the EIT Law and not be subject to the enterprise income tax rate of 25% on our global income. If we are subsequently regarded as a PRC resident enterprise by the relevant tax authorities, our financial condition and results of operation may therefore be adversely affected.

You may experience difficulties in effecting service of legal process, enforcing foreign judgments or bringing original actions in the PRC against us, our management or the experts named in this prospectus.

We conduct all of our operations in the PRC and all of our assets are located in the PRC. In addition, all of our Directors and executive officers reside within the PRC or Hong Kong. As a result, it may not be possible to effect service of legal processes outside the PRC or Hong Kong (as the case may be) upon some of our Directors and senior executive officers with respect to matters arising under applicable securities laws. Moreover, the legal advisers to our Company as to PRC law have advised that the PRC does not have entered into treaties with the US or a number of other countries providing for the reciprocal recognition and enforcement of judgments of foreign courts. In addition, according to the PRC Civil Procedures Law* (中華人民共和國民事訴訟法), courts in the PRC will not enforce a foreign judgment if they decide that the judgment violates the basic principles of PRC law or national sovereignty, security or public interest. Therefore, it may be difficult for you to enforce against us and/or our management in the PRC any judgment obtained from non-PRC courts.

The PRC economy may experience inflationary pressure, which may lead to an increase in interest rates and a slowdown in economic growth.

In response to concerns regarding PRC's high rate of growth in industrial production, bank credit, fixed investment and money supply, the PRC government has taken measures to slow down economic growth to a more manageable level. Among the measures that the PRC Government has taken are restrictions on bank loans in certain sectors. These measures have historically contributed to a slowdown in economic growth in the PRC and a reduction in demand for consumer goods. These measures and any additional measures, including a possible increase in interest rates, could contribute to a further slowdown in the economy of the PRC.

RISK FACTORS

An outbreak of any severe communicable disease in the PRC may have an adverse effect on the economies of certain countries and may adversely affect our results of operations.

The outbreak of any severe communicable disease in the PRC could have a material adverse effect on the overall business sentiment and environment in the PRC, which in turn may have a material adverse effect on domestic consumption and overall GDP growth. As all of our revenue is currently derived from our PRC operations, any contraction or slowdown in the growth of domestic consumption or slowdown in the GDP growth of the PRC may materially and adversely affect our business, prospects, financial condition and results of operations. In addition, if our employees are affected by any severe communicable disease, we may be required to close our facilities or institute other measures to prevent the spread of the disease, which may disrupt our operations. The spread of any severe communicable disease in the PRC may also affect the operations of our customers and suppliers, which may lead to reduced orders or scarcity of raw materials.

We may be subject to liability under, and may make substantial future expenditures to comply with, environmental laws and regulations.

We are subject to laws, rules and regulations concerning the discharge of effluent water and solid waste during our manufacturing processes. We cannot assure you that we will be able to comply fully at all times with applicable environmental regulations. Any violation of these regulations may result in substantial fines, criminal sanctions, revocations of operating permits, shutdown of our facilities and obligations to take corrective measures. Furthermore, the cost of complying with current and future environmental protection laws, rules and regulations and the liabilities which may potentially arise from the discharge of effluent water and solid waste may materially increase our costs as well as materially decrease our profit.

Certain environmental laws impose liability, sometimes regardless of fault, for investigating or cleaning up contamination on or emanating from our currently or formerly owned, leased or operated property, as well as for damages to property or natural resources and for personal injury arising out of such contamination. These environmental laws also assess liability on persons who arrange for hazardous substances to be sent to third-party disposal or treatment facilities when such facilities are found to be contaminated.

Moreover, governments, including the PRC government, may take steps towards the adoption of more stringent environmental regulations. Due to the possibility of unanticipated regulatory or other developments, the amount and timing of future environmental expenditures may vary substantially from those currently anticipated. If there is any change in the environmental regulations, we may need to incur substantial capital expenditures to install, replace, upgrade or supplement our pollution control equipment, take additional protective and other measures against potential contamination or injury caused by hazardous materials, or make operational changes to limit any adverse impact or potential adverse impact on the environment. If these costs become prohibitively expensive, we may be forced to cease certain of our

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businesses. In addition, environmental liability insurance is not commonly available in the PRC, where we conduct most of our operations. Consequently, any significant environmental liability claims successfully brought against us could have a material adverse effect on our business, financial condition and results of operations.

RISKS RELATING TO THE GLOBAL OFFERING AND THE SHARES

There has been no prior public market for the Shares and the liquidity and market price of the Shares may be volatile.

Prior to the Global Offering, no public market for the Shares existed. We have made an application to the Stock Exchange for the listing and trading of the Shares. There is no assurance that the Listing will result in the development of an active, liquid public trading market for the Shares after the Global Offering. In addition, the price and trading volume of the Shares may be volatile since factors such as variations in our Group's revenues, earnings and cash flows or any other developments, whether due to seasonal sales fluctuations or for any other reasons, may affect the volume and price at which the Shares will be traded.

Current volatility in the global financial markets could cause significant fluctuations in the price of the Shares.

Financial markets around the world have been experiencing heightened volatility since 2008. Upon Listing, the price and trading volume of the Shares will likely be subject to similar market fluctuations which may be unrelated to our operating performance or prospects. Factors that may significantly impact the volatility of our stock price include:

- developments in our business or in the financial sector generally, including the effect of direct governmental actions in the financial markets;
- the operating and share price performance of companies that investors consider to be comparable to us;
- announcements of strategic developments, acquisitions and other material events by us or our competitors; and
- changes in global financial markets, global economies and general market conditions, such as interest or foreign exchange rates as well as stock and commodity valuations and volatility.

As a result of these market fluctuations, the price of the Shares may decline significantly, and you may lose a significant part of your investment.

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Future issues, offers or sale of Shares may adversely affect the prevailing market price of the Shares.

Future issues of securities by our Company or the disposal of Shares by any of its Shareholders or the perception that such issues or sale may occur, may negatively impact the prevailing market price of the Shares. The Shares held by the Controlling Shareholders are subject to certain lock-up undertakings for periods commencing on the date of this prospectus and up to twelve months after the Listing Date. We cannot give any assurance that the Controlling Shareholders will not dispose of Shares they may own now or in the future.

Certain facts and statistics from official sources contained in this prospectus have come from third party publications and publicly available sources whose reliability cannot be assumed or assured.

This prospectus contains information and statistics that are derived from various publicly available official government and other publications and generally believed to be reliable. However, we cannot guarantee the quality and reliability of these publications. Whilst our Directors and the Sole Sponsor have taken reasonable care to ensure that such facts and statistics in this prospectus are accurately reproduced, these facts and statistics have not been independently verified by us. Our Company, the Sole Sponsor, the Underwriters, their respective directors and advisers or any other parties involved in the Global Offering do not make any representation as to the accuracy of such facts and statistics, which may not be consistent with other information and may not be complete or up-to-date. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the facts and statistics in this prospectus may be inaccurate or may not be comparable from period to period to facts and statistics produced for other economies and should not be unduly relied upon. Furthermore, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.

Investors may experience difficulties in enforcing their shareholder rights because our Company is incorporated in the Cayman Islands, and the laws of the Cayman Islands relating to the protection of the interests of minority shareholders may be different from those in Hong Kong or other jurisdictions.

Our Company is incorporated in the Cayman Islands and its affairs are governed by the Articles, the Companies Law and common law applicable in the Cayman Islands. The laws of the Cayman Islands may differ from those of Hong Kong or other jurisdictions where investors may be located. As a result, minority shareholders may not enjoy the same rights as pursuant to the laws of Hong Kong or such other jurisdictions. A summary of the Cayman Islands law on protection of minority shareholders is set out in Appendix IV headed “Summary of the Constitution of Our Company and Cayman Islands Company Law” to this prospectus.

RISK FACTORS

You will experience immediate dilution and may experience further dilution if we issue additional Shares in the future.

We may need to raise additional funds in the future to finance our future plans, whether in relation to existing operations, expanding points of sale or otherwise. If additional funds are raised through the issuance of our new equity or equity-linked securities other than on a pro rata basis to existing Shareholders, then (i) the percentage ownership of our existing Shareholders may be reduced; and/or (ii) such newly issued securities may have rights, preferences or privileges superior to those of the Shares of the existing Shareholders.

Purchasers of Offer Shares may incur an immediate and substantial dilution in net tangible book value per Share as a result of the Global Offering.

The Offer Price is substantially higher than the net tangible book value per Share. Therefore, purchasers of the Offer Shares in the Global Offering may experience an immediate and substantial dilution in net tangible book value per Share as a result of the Global Offering.

WAIVER FROM COMPLIANCE WITH THE LISTING RULES

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, we must have sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. Our headquarter is located in Jiangxi Province, the production plants and substantially most of the business operations of our Group are located in the PRC. All of our executive Directors ordinarily reside in the PRC. We do not and, for the foreseeable future, will not have sufficient management presence in Hong Kong.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with the requirements of Rule 8.12 of the Listing Rules, subject to us putting in place certain measures in order to ensure that effective communication is maintained between the Stock Exchange and us. For further details of such waiver, please refer to the section headed “Directors and Senior Management” in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to our Group. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this prospectus misleading.

INFORMATION ABOUT THE GLOBAL OFFERING

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus. No person is authorised in connection with the Global Offering to give any information, or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by our Company, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, and any of their respective directors or any other person involved in the Global Offering.

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

OFFER SHARES ARE FULLY UNDERWRITTEN

The prospectus is published solely in connection with the Hong Kong Public Offering which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the related Application Forms contain the terms and conditions of the Hong Kong Public Offering.

The Listing is sponsored by China Investment Securities International Capital Limited. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters and the International Placing is expected to be fully underwritten by the International Placing Underwriters. The Global Offering is jointly lead managed by China Investment Securities International Brokerage Limited, Ping An of China Securities (Hong Kong) Company Limited, Orient Securities (Hong Kong) Limited, Quam Securities Company Limited, Convoy Investment Services Limited and Grand China Securities Limited.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

If, for any reason, the Offer Price is not agreed among our Company and the Sole Global Coordinator (on behalf of the Underwriters), the Global Offering will not proceed and will lapse. For further information, please refer to the section headed “Underwriting” in this prospectus.

DETERMINATION OF THE OFFER PRICE

The Offer Price is expected to be fixed by agreement by the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Tuesday, 6 October 2015. If, for whatever reason, our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) are not able to agree on the Offer Price by Friday, 9 October 2015, the Global Offering will not proceed.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including any additional Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme).

No part of our Company’s share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

OFFER SHARES TO BE OFFERED IN HONG KONG ONLY

No action has been taken in any jurisdiction other than Hong Kong to permit the public offering of the Offer Shares or the distribution of this prospectus and/or Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus and/or Application Forms may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any circumstances in which such offer or invitation is not authorised or to any person to whom it is unlawful to make such an unauthorised offer or invitation.

Each person acquiring the Offer Shares will be required under the Global Offering and is deemed by his acquisition of the Offer Shares, to confirm that he is aware of the restrictions on offers of the Offer Shares described in this prospectus and that he is not acquiring, and has not been offered, any Offer Shares in circumstances that contravene any such restrictions. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

SHARE REGISTERS AND STAMP DUTY

All Shares to be allotted and issued pursuant to the Capitalisation Issue, the Global Offering, the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme will be registered on our branch register of members to be maintained in Hong Kong by our Hong Kong Share Registrar. Our Company's principal register of members will be maintained by our principal share registrar and transfer office, Appleby Trust (Cayman) Ltd. at P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108, Cayman Islands.

Dealings in Shares registered in the branch register of members of our Company in Hong Kong will be subject to Hong Kong stamp duty.

Unless determined otherwise by our Company, dividends payable in HK dollars in respect of the Shares will be paid to the Shareholders listed on our Company's Hong Kong branch register of members to be maintained in Hong Kong, by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder or if joint Shareholders, to the first-named Shareholder therein in accordance with the Articles of Association.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the approval for the listing of, and permission to deal in, the Shares on the Stock Exchange and the compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. Investors should seek the advice of their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

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

PROFESSIONAL TAX ADVICE RECOMMENDED

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

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

STABILISATION AND OVER-ALLOTMENT

In connection with the Global Offering, the Stabilising Manager or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. Such transactions may be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilising Manager or any person acting for it to do this. Such stabilisation, if commenced, will be conducted at the absolute discretion of the Stabilising Manager or any person acting for it and may be discontinued at any time, and must be brought to an end after a limited period.

In connection with the Global Offering, we intend to grant to the International Placing Underwriters the Over-allotment Option, which is exercisable in full or in part by the Sole Global Coordinator (on behalf of the International Placing Underwriters) with 30 days after the last day for lodging applications under the Hong Kong Public Offering. Pursuant to the Over-allotment Option, we may be required to issue and allot up to an aggregate of 28,125,000 Shares (in aggregate representing 15% of the total number of the Offer Shares initially available under the Global Offering) at the Offer Price to cover over-allocation in the International Placing.

Further details with respect to stabilization and the Over-allotment Option are set out in the sections headed “Structure of the Global Offering — Over-allotment Option” and “Structure of the Global Offering — Stabilisation” in this prospectus.

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedure for application for Hong Kong Offer Shares is set out in the section headed “How to Apply for the Hong Kong Offer Shares” in this prospectus and on the relevant Application Forms.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence at 9:00 a.m. on Friday, 16 October 2015.

Shares will be traded in board lots of 3,000 Shares each. The stock code of the Shares is 1532.

The Company will not issue any temporary documents of title.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Details of the structure and conditions of the Global Offering are set out in the section headed “Structure of the Global Offering” in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

EXCHANGE RATE

Unless otherwise specified, for the purpose of this prospectus, amounts denominated in RMB are translated into HK\$ at the rate of HK\$1 = RMB0.83.

ROUNDING

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

LANGUAGE

If there is any inconsistency between the Chinese names of entities and their English translations, the Chinese names shall prevail. The English translation of company names in Chinese or another language which are marked with “*” and the Chinese translation of company names in English which are marked with “*” is for identification purpose only.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Residential Address	Nationality
Executive Directors		
Mr. Chen Sheng Bi (陳聖弼)	Room 801, Block 9 Yirenhuafu No.88 Yiyang Avenue Yuanzhou District Yichun City, Jiangxi Province PRC	Chinese
Mr. Lin Xin Fu (林新福)	No. 3 Chunchao Road Yichun Economic & Technological Development Zone Jiangxi Province PRC	Chinese
Non-executive Director		
Ms. Chen Sheng (陳升)	No. 1, Block 22 Hanlinshijia No. 66 Yiyang Avenue Yuanzhou District Yichun City, Jiangxi Province PRC	Chinese
Independent Non-executive Directors		
Mr. Leung Siu Hong (梁兆康)	Flat E, 22/F, Block 2 Academic Terrace 101 Pok Fu Lam Road Hong Kong	Chinese
Mr. Chen Wen Hua (陳文華)	Unit 3, Block 8, East District No. 437 Beijing Xi Road Dong Hu District Nanchang City Jiangxi Province PRC	Chinese
Ms. Peng Xu (彭淑)	Flat 202, No. 22, 358 Lane Weining Road Shanghai PRC	Chinese

Note: Further information is disclosed in the section headed “Directors and Senior Management” in this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor

**China Investment Securities International
Capital Limited**
63/F, Bank of China Tower
1 Garden Road
Central
Hong Kong

Sole Global Coordinator

**China Investment Securities International
Brokerage Limited**
63/F, Bank of China Tower
1 Garden Road
Central
Hong Kong

**Joint Bookrunners and
Joint Lead Managers**

**China Investment Securities International
Brokerage Limited**
63/F, Bank of China Tower
1 Garden Road
Central
Hong Kong

**Ping An of China Securities (Hong Kong) Company
Limited**
28/F, 169 Electric Road
North Point
Hong Kong

Orient Securities (Hong Kong) Limited
28th and 29th Floor
100 Queen's Road Central
Hong Kong

Joint Lead Managers

Quam Securities Company Limited
18/F-19/F China Building
29 Queen's Road Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Convoy Investment Services Limited

24C, @Convoy
169 Electric Road
North Point
Hong Kong

Grand China Securities Limited

Room 2005, 20/F, Sino Plaza
255 Gloucester Road
Causeway Bay
Hong Kong

Co-Lead Managers

President Securities (Hong Kong) Limited

Units 2603-06, 26/F, Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

Gransing Securities Co., Limited

805-806 Far East Consortium Building
121 Des Voeux Road Central
Hong Kong

Legal advisers to our Company

As to Hong Kong law:

Hastings & Co.

5/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

As to the PRC law:

Tian Yuan Law Firm

10/F, China Pacific Insurance Plaza
28 Fengsheng Hutong
Xicheng District
Beijing 100032
PRC

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

As to Cayman Islands law:

Appleby

2206-19 Jardine House
1 Connaught Place
Central
Hong Kong

As to International Sanctions Laws:

DLA Piper Hong Kong

17/F, Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

**Legal advisers to the Sole Sponsor
and the Underwriters**

As to Hong Kong law:

TC & Co.

Units 2201-3, Tai Tung Building
8 Fleming Road
Wan Chai
Hong Kong

As to the PRC law:

Deheng Law Offices (Shenzhen)

Storey 11, Section B
Anlian Plaza
No.4018 Jintian Road
Shenzhen
PRC

Auditors and reporting accountants Grant Thornton Hong Kong Limited

Certified Public Accountants
Level 12, 28 Hennessy Road
Wanchai, Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Property valuer**Jones Lang LaSalle Corporate Appraisal and
Advisory Limited**

6/F, Three Pacific Place

1 Queen's Road East

Hong Kong

Receiving bank**The Bank of East Asia, Limited**

10 Des Voeux Road Central

Hong Kong

CORPORATE INFORMATION

Registered address	P.O. Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
Headquarter and principal place of business in the PRC	No.3 Chunchao Road Yichun Economic & Technological Development Zone, Jiangxi Province PRC
Place of business in Hong Kong	Unit 806, 8/F. Tower II, Cheung Sha Wan Plaza 833 Cheung Sha Wan Road Kowloon Hong Kong
Company website	http://www.partytime.com.cn <i>(The information contained on the website of our Company does not form part of this prospectus)</i>
Company secretary	Mr. Chong Man Hung Jeffrey (莊文鴻) CPA Flat E, 48/F, Tower 15 Ocean Shores 88 O King Road, Tseung Kwan O New Territories Hong Kong
Authorised representatives	Mr. Chen Sheng Bi (陳聖弼) Room 801, Block 9, Yirenhuafu No. 88 Yiyang Avenue Yuanzhou District Yichun City, Jiangxi Province PRC Mr. Chong Man Hung Jeffrey (莊文鴻) CPA Flat E, 48/F, Tower 15 Ocean Shores 88 O King Road, Tseung Kwan O New Territories Hong Kong
Members of the audit committee	Mr. Leung Siu Hong (梁兆康) (Chairman) Mr. Chen Wen Hua (陳文華) Ms. Peng Xu (彭淑)

CORPORATE INFORMATION

Members of the remuneration committee	Mr. Chen Wen Hua (陳文華) (Chairman) Ms. Peng Xu (彭淑) Mr. Lin Xin Fu (林新福)
Members of the nomination committee	Ms. Peng Xu (彭淑) (Chairlady) Mr. Chen Wen Hua (陳文華) Ms. Chen Sheng (陳升)
Compliance Adviser	China Investment Securities International Capital Limited 63/F, Bank of China Tower 1 Garden Road Central Hong Kong
Hong Kong branch share registrar and transfer office	Tricor Investor Services Limited Level 22, Hopewell Centre 183 Queen's Road East Wan Chai Hong Kong
Cayman Islands principal share registrar and transfer office	Appleby Trust (Cayman) Ltd. P.O. Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
Principal banks	Industrial and Commercial Bank of China Ximen Branch No. 540 Zhongshanzhong Road Yuanzhou District Yichun City, Jiangxi Province PRC Industrial and Commercial Bank of China Yichun Branch Sales Department No. 219 Xiujiangzhong Road Yichun City, Jiangxi Province PRC

INDUSTRY OVERVIEW

The information presented in this section, unless otherwise indicated, is derived from various official government publications and other publications and from the market research report prepared by CRI, which was commissioned by us. We believe that the information is derived from appropriate sources and we have taken reasonable care in extracting and reproducing the information. We have no reason to believe that the information is false or misleading in any material respect or that any fact has been omitted that would render the information false or misleading in any material respect. The information has not been independently verified by us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any of our or their respective affiliates, advisers, directors, officers or representatives or any other person involved in the Global Offering. Neither our Group, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any of our or their respective affiliates, advisers, directors, officers or representatives nor any other person involved in the Global Offering make any representation as to the accuracy, completeness or fairness of such information from official government publications.

The information extracted from the commissioned report from CRI reflects estimates of market conditions based on samples, and is prepared primarily as a market research tool. References to CRI should not be considered as the opinion of CRI as to the value of any security or the advisability of investing in our Group. Our Directors believe that the sources of information extracted from the commissioned report from CRI are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. Our Directors confirm that after taking reasonable case, there is no adverse change in the market information since that the date of the CRI Report.

We have commissioned CRI, an independent market research and consulting company, to conduct a report in respect of the animation derivative industry and sexy lingerie industry in the PRC and worldwide. CRI is an independent consulting firm, providing industry research and market strategies in various industries including, among others, clothing, toys, food and paper. We paid CRI a total of RMB 140,000 for the preparation of the CRI Report. CRI has advised us that it has independently analysed the information collected, which assumes accurate and complete. As confirmed by CRI, the information contained in the CRI Report was derived from qualitative and quantitative market data and intelligence collected from various sources which include:

- first-hand interviews with market participants from trade associations, cosplay costumes, cosplay wigs and sexy lingerie suppliers and related academic institutions, etc.; and
- second-hand researches including reviewing publicly available statistics, independent research publications and reports, other related company reports and data based on CRI's own research database.

INDUSTRY OVERVIEW

Note: All statistics were reliable and were based on information available as at the Latest Practicable Date. Other sources of information, including government, trade associations or marketplace participants, may have provided some of the information on which the analysis or data is based.

CRI also adopted the following primary assumptions while making projection for both cosplay costumes, cosplay wigs and sexy lingerie markets respectively:

- related industry key drivers are likely to drive the global animation derivative industry and sexy lingerie industry, and global cosplay costumes, cosplay wigs and sexy lingerie markets in the forecast period, such as rising household income and rising purchasing power;
- the global economy is likely to gradually recover over the forecast period;
- there is no obvious replacement of the raw materials; and
- there is no external shock such as natural disasters to affect the demand and supply of raw materials during the forecast period.

THE ANIMATION DERIVATIVE INDUSTRY

Overview of the animation derivative industry

The animation industry can be divided into two sub-industries, namely animation core industry and animation derivative industry. Animation core industry is defined as an industry that directly connected with original animation figures and its stories. Animation derivatives industry is defined as an industry with the focus on presenting the creativity in forms of animation and comics, by developing, producing, publishing, broadcasting and selling of direct products such as animation books, film, TV shows, audio-visual products and theatre show. It also includes production and operation of animation derivatives such as cosplay costumes, cosplay wigs, toys and video games.

According to the CRI Report, animation derivative industry contributed approximately 71.4% and 93.0% of the revenue of the global and PRC animation industry in 2014, respectively. According to the CRI Report, cosplay costumes and cosplay wigs contributed approximately 2.4% and 0.1% of revenue of the global animation derivative industry in 2014 and 5.7% and 0.1% of revenue of the PRC animation derivative industry in 2014, respectively.

Overview of the cosplay costumes and cosplay wigs market

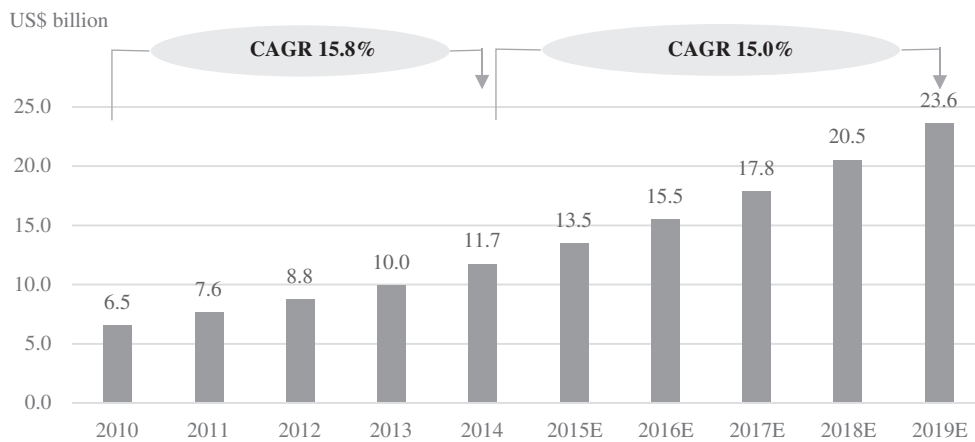
According to the CRI Report, cosplay costumes and cosplay wigs are mainly used in carnivals, traditional festivals including Halloween and Christmas. Cosplay costumes and cosplay wigs are two of the important products of consumer goods in cosplay-related market under the animation derivative industry. The market demand of both cosplay costumes and cosplay wigs are increasing.

INDUSTRY OVERVIEW

Global

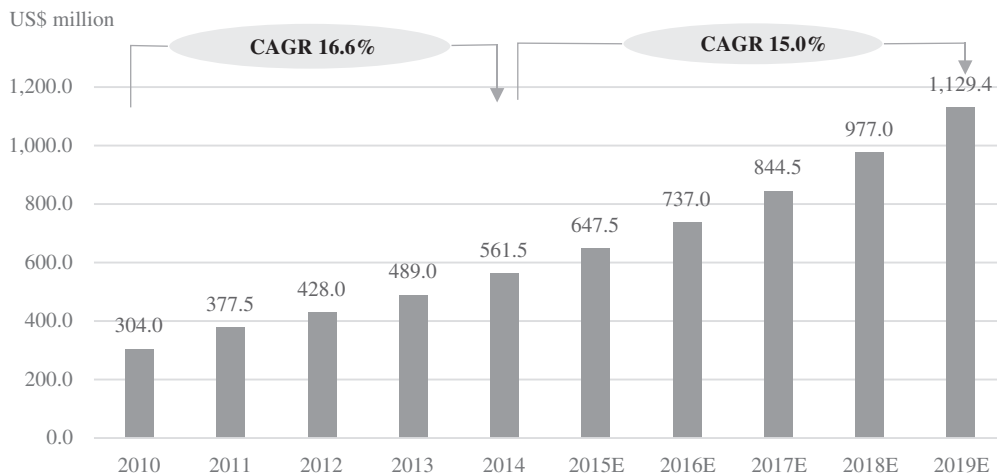
According to the CRI Report, the market size of the cosplay costumes and costumes wigs in global market by revenue reached approximately US\$11.7 billion and approximately US\$561.5 million in 2014, respectively, and are expected to grow to approximately US\$23.6 billion and approximately US\$1,129.4 million in 2019, respectively. The following charts illustrate the historical and projected market size of global cosplay costumes and cosplay wigs from 2010 to 2019:

Market size of global cosplay costumes (by revenue), 2010-2019E



Source: CRI Report

Market size of global cosplay wigs (by revenue), 2010-2019E



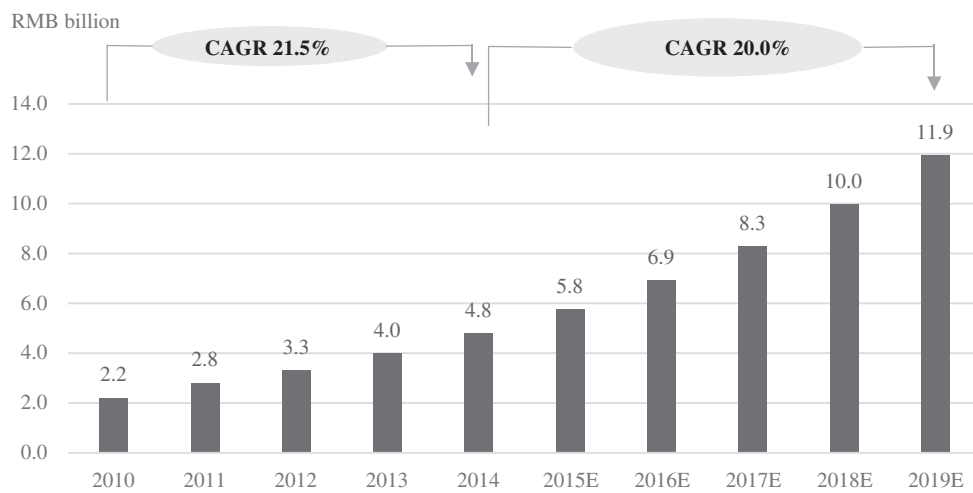
Source: CRI Report

INDUSTRY OVERVIEW

The PRC

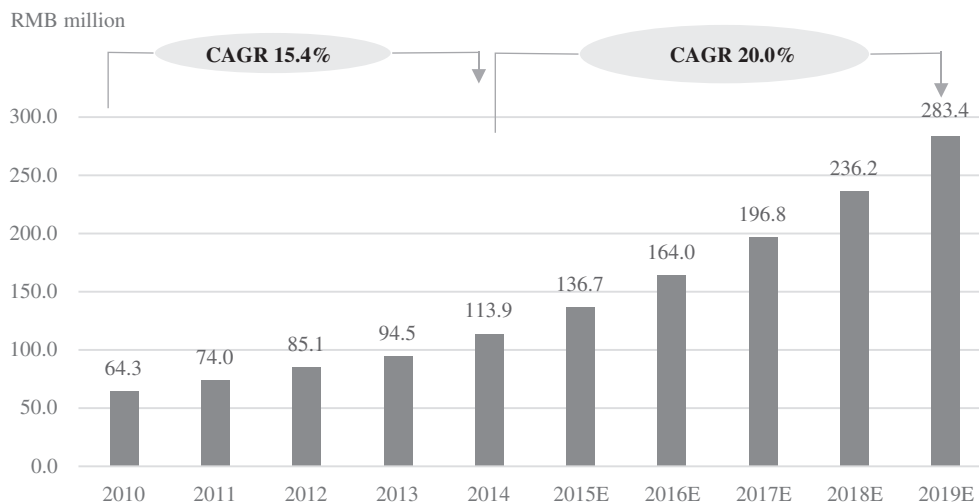
According to the CRI Report, the market sizes of the cosplay costumes and cosplay wigs in the PRC market by revenue reached approximately RMB4.8 billion and approximately RMB113.9 million in 2014, respectively, and are expected to grow to approximately RMB11.9 billion and approximately RMB283.4 million in 2019, respectively. The following charts illustrate the historical and projected market size of PRC cosplay costumes and cosplay wigs from 2010 to 2019:

Market size of PRC cosplay costumes (by revenue), 2010-2019E



Source: CRI Report

Market size of PRC cosplay wigs (by revenue), 2010-2019E



Source: CRI Report

INDUSTRY OVERVIEW

Key market drivers of the animation derivative industry

1. Increasing consumer's purchasing power

The recovery of the global economy and the growth of the PRC economy drive the improvement of consumers' purchasing power. This trend is likely to continue to drive consumers' growing expenditure on animation derivative products, such as cosplay costumes and cosplay wigs.

2. Expansion of new media channels

The expansion of new media channels, such as internet and mobile devices, is affecting the development of the global and the PRC animation derivative industry and prosperity of animation derivatives products. The mainstream platform of animation is transitioning from traditional TV to the internet. The growing number of online video websites and the prevalence of mobile devices like smartphones, tablet PC and e-book enable animation-related information to reach a larger pool of audience and at a faster speed.

3. National political support

With the issue of the National Development Plan on Animation Industry During the 12th Five-year Period* (《十二五時期國家動漫產業發展規劃》), a series of detailed regulations and policies are expected to be launched in the near future and thus such favorable policies and governmental support are likely to drive the PRC animation derivative industry into a fast growing stage.

PRC's position in global cosplay costumes and cosplay wigs export market

The cosplay costumes and cosplay wigs markets are highly fragmented and product variety of cosplay costumes and cosplay wigs is wide and in fast-evolving trends. Although PRC is the largest export market of cosplay costumes and cosplay wigs in the world, there is a large number of PRC manufacturers of cosplay costumes and cosplay wigs.

According to the CRI Report, in 2014, PRC was the major cosplay costumes and cosplay wigs exporter in the world and over 50% and 80% of the cosplay costumes and cosplay wigs were produced by PRC enterprises respectively. According to the CRI Report, the PRC's export value of cosplay costumes (HS code 61143000) and cosplay wigs (HS code 67041100) reached approximately US\$1.2 billion and US\$180.2 million, respectively.

Top five destinations of the PRC's cosplay costumes (HS code 61143000) are the United States, UK, Japan, Germany and United Arab Emirates, which in aggregate contributed approximately 60.6% to the total PRC's export value in 2014. Top five destinations of the PRC's cosplay wigs (HS code 67041100) are the United States, Germany, Japan, Hong Kong and Russian Federation, which in aggregate contributed approximately 57.5% to the total PRC's export value

INDUSTRY OVERVIEW

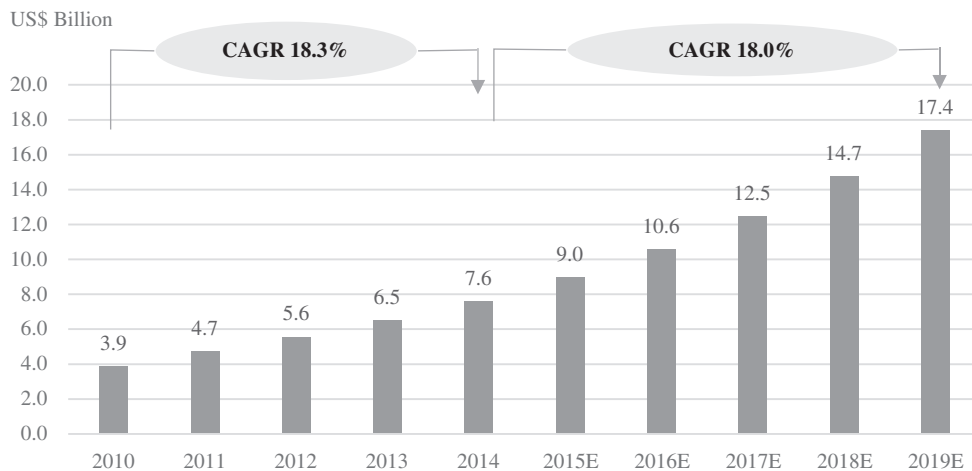
in 2014. In terms of export value, the United States is the largest export destination of the PRC's cosplay costumes and cosplay wigs. In 2014, approximately 32.2% and 40.4% of the PRC's cosplay costumes and cosplay wigs export value went to the United States market respectively.

THE SEXY LINGERIE INDUSTRY

Overview of the sexy lingerie market

According to the CRI Report, sexy lingerie is a part of the lingerie category of the apparel industry. Sexy lingerie tends to focus on the “sexy and mysterious” features and is different from regular lingerie. It generally uses the element of tempt to create a strong and an attractive visual perception, and eventually forming a visual stimulus to stimulate human's five senses and arouse human's sexual interest. According to the CRI Report, the market size of the global and PRC sexy lingerie by revenue reached approximately US\$7.6 billion and approximately RMB2.3 billion in 2014, respectively, and are expected to grow to approximately US\$17.4 billion and approximately RMB7.1 billion in 2019, respectively. The following chart illustrate the historical and projected market size of the global and PRC sexy lingerie from 2010 to 2019:

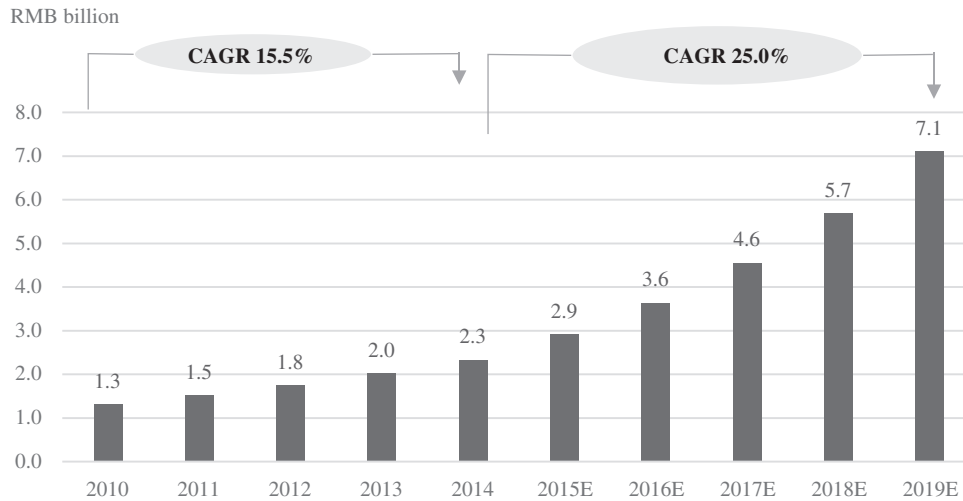
Market size of global sexy lingerie (by revenue), 2010-2019E



Source: CRI Report

INDUSTRY OVERVIEW

Market size of PRC sexy lingerie (by revenue), 2010-2019E



Source: CRI Report

Key market drivers of the sexy lingerie industry

1. Increasing consumer's preference

Consumer's increasing preference for sexy lingerie with different design and concept is expected to drive the growth of the global sexy lingerie market.

2. Improving life quality

In the past, sexy lingerie are usually targeted at customers of the young generations. Nowadays, with the improvement in living standard and more people with different aged group view sexy lingerie as tools to improve the life quality, more demand from sexy lingerie is resulted.

PRC's position in global sexy lingerie export market

The sexy lingerie market are highly fragmented. Although PRC is the largest exporter of sexy lingerie in the world, there is a large number of PRC manufacturers of sexy lingerie.

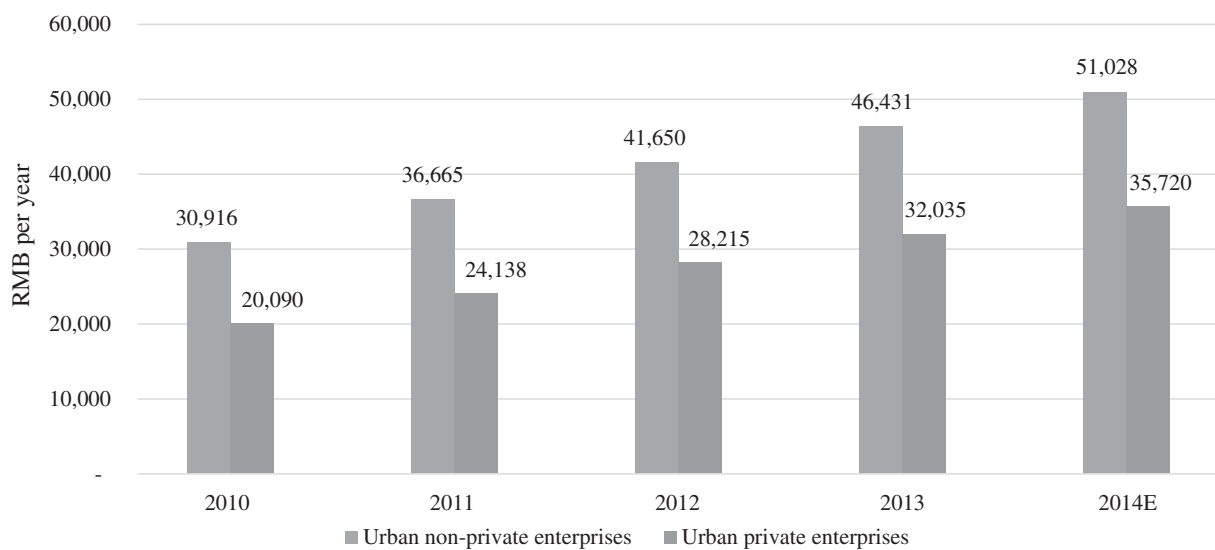
According to the CRI Report, as of 2014, PRC was the major sexy lingerie exporter in the world. According to the CRI Report, the PRC's export value of sexy lingerie (HS code 61089200) reached approximately US\$1.3 billion.

INDUSTRY OVERVIEW

Top five destinations of the PRC's sexy lingerie (HS code 61089200) are the United States, Japan, UK, Germany and Hong Kong, which in aggregate contributed approximately 47.5% to the total PRC's export value in 2014. In terms of export value, the United States is the largest export destination of the PRC's sexy lingerie. In 2014, approximately 22.4% of the PRC's sexy lingerie export value went to the United States market respectively. The United States' leading position in the PRC's sexy lingerie export market is likely to be maintained in the following years.

ANALYSIS ON LABOUR COSTS IN THE PRC

Average wages of employees in the PRC's manufacturing industry, 2010-2014E



Source: National Bureau of Statistics of PRC, CRI Report

With healthy growth of the PRC economy, wages of employees in the PRC have been gradually improved. From 2010 to 2013, average wages of staffs and workers in manufacturing industry of urban private enterprises increased from approximately RMB20,090 per year to approximately RMB32,035 per year, with a CAGR of approximately 16.8%. During the same period, average wages of employees in manufacturing industry of urban non-private enterprises increased from approximately RMB30,916 per year to approximately RMB46,431 per year, with a CAGR of approximately 14.5%. It is expected that average wages of employees in manufacturing industry of urban private enterprises and urban non-private enterprises will increase to approximately RMB35,720 and RMB51,028 in 2014 respectively.

As labour cost is one of the key costs for manufacturing enterprises, including manufacturers of cosplay costumes, cosplay wigs and sexy lingerie, rising wages are expected to bring about rising pressure on production costs. As a result, prices of those products are likely to witness a rise in the coming years, offsetting the rising costs.

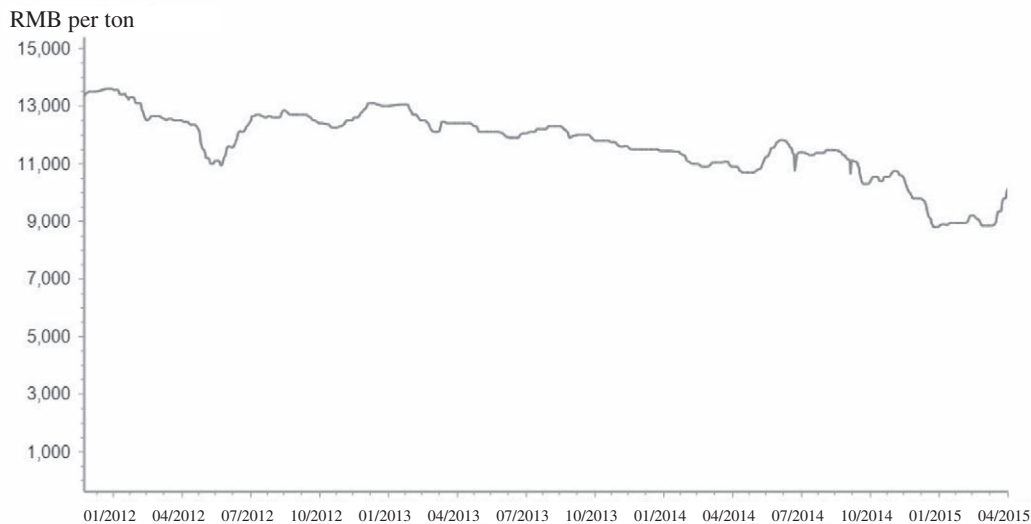
INDUSTRY OVERVIEW

PRICES OF THE RAW MATERIALS

Raw materials purchased and used by our Group include mainly fabrics (knitting flat cloth) and synthetic fibres (polypropylene fiber). Our Group purchases raw materials at spot price of the market.

The raw material of knitting flat cloth is Polyester Draw Textured Yarn (Polyester DTY), which is produced by lots of the PRC enterprises with many specifications. The price of Polyester DTY in the PRC market fluctuated between approximately RMB8,800 per ton and RMB13,600 per ton during 2012 to 2015. The price are influenced by factors including market supply and demand of Polyester DTY and international crude oil price.

Price trend of Polyester DTY in the PRC market, 2012-2015

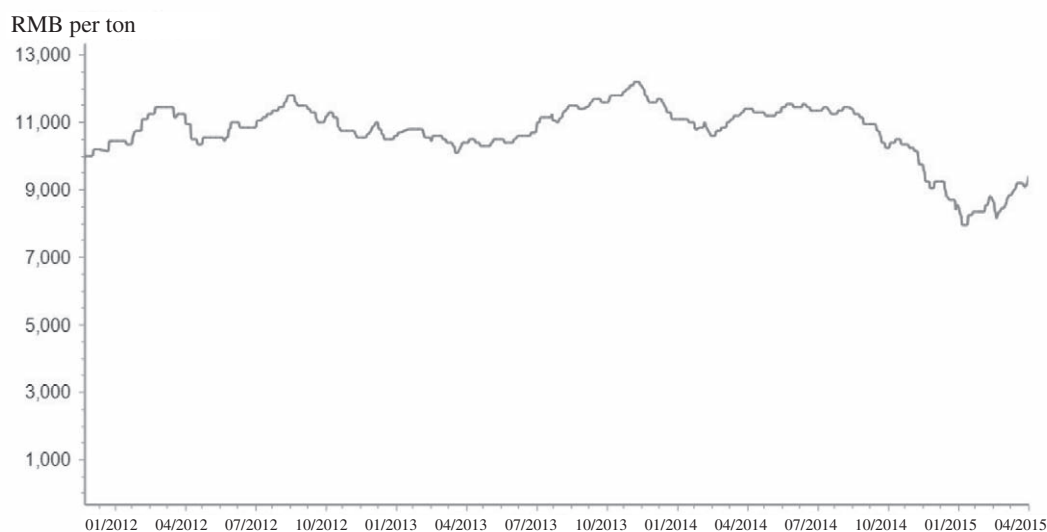


Source: *China Chemical & Fiber Economic Information Network, CRI Report*

The price of polypropylene fiber is influenced by the price of polypropylene. In the PRC market, the main type of polypropylene fiber is T30S. The price of polypropylene (T30S) in the PRC market fluctuated between approximately RMB7,950 per ton and RMB12,200 per ton during 2012 to 2015. The price are influenced by factors including market supply and demand of Polyester DTY and international crude oil price.

INDUSTRY OVERVIEW

Price trend of Polypropylene (T30S) in the PRC market, 2012-2015



Source: Sinopec Qilu Co., Ltd., CRI Report

PRICING

The pricing of the Group's cosplay costumes, cosplay wigs and sexy lingerie ranged from approximately RMB4.3 to RMB598.0, RMB1.5 to RMB136.1 and RMB8.7 to RMB156.7 respectively during the Track Record Period. Based on the CRI Report, the average pricing of cosplay costumes, cosplay wigs and sexy lingerie in PRC market ranged from approximately RMB1.9 to RMB744.0, RMB1.2 to RMB155.0 and RMB3.1 to RMB186.0 respectively in 2012 to 2014. It indicated that the pricing of the Group's cosplay costumes, cosplay wigs and sexy lingerie was at the similar level with the respective markets average.

INDUSTRY OVERVIEW

COMPETITIVE LANDSCAPE

Competitive landscape in cosplay wigs

According to the CRI Report, there are currently few hundreds players in the market of cosplay wigs in the PRC and our Group was the largest manufacturer for cosplay wigs by revenue in 2014. Top five cosplay wigs manufacturers in the PRC contributed approximately 10.2% of the revenue in 2014.

The following table sets forth the competitive landscape and the market share of the top five cosplay wigs manufacturers in the PRC in terms of the revenue in 2014:

Ranking	Enterprises	Main products	Export Ratio	Revenue <i>(approximately RMB million)</i>	Market share of cosplay wigs
1	Our Group	cosplay costumes, cosplay wigs and sexy lingerie	Above 80%	180.0	6.3%
2	Competitor A	wigs	About 65%	45.0	1.6%
3	Competitor B	cosplay wigs	Above 70%	30.0	1.0%
4	Competitor C	wigs	About 60%	22.0	0.8%
5	Competitor D	wigs	About 70%	15.0	<u>0.5%</u>
					<u>10.2%</u>

Competitive landscape in cosplay costumes

According to the CRI Report, there are currently more than 1,000 players in the market of cosplay costumes in the PRC and our Group was the third largest manufacturer for cosplay costumes by revenue in 2014. Top five cosplay costumes manufacturers in the PRC contributed approximately 3.2% of the revenue in 2014.

INDUSTRY OVERVIEW

The following table sets forth the competitive landscape and the market share of the top five cosplay costumes manufacturers in the PRC in terms of the revenue in 2014:

Ranking	Enterprises	Main products	Export ratio	Revenue <i>(approximately RMB million)</i>	Market share of cosplay costumes
1	Competitor E	cosplay costume	Above 90%	450.0	1.2%
2	Competitor F	cosplay costumes, original animation and comic products, animation and comic games	Above 70%	350.0	0.9%
3	Our Group	cosplay costumes, cosplay wigs and sexy lingerie	Above 80%	181.0	0.5%
4	Competitor G	cosplay costume	Above 80%	120.0	0.3%
5	Competitor H	Toys and cosplay costumes	Above 70%	105.0	0.3%
					<u>3.2%</u>

Competitive landscape in sexy lingerie

According to the CRI Report, there are currently more than 1,000 players in the market of sexy lingerie in the PRC and our Group was the second largest manufacturer for sexy lingerie by revenue in 2014. Top five sexy lingerie manufacturers in the PRC contributed approximately 2.6% of the revenue in 2014.

INDUSTRY OVERVIEW

The following table sets forth the competitive landscape and the market share of the top 5 sexy lingerie manufacturers in the PRC in terms of the revenue in 2014:

Ranking	Enterprises	Main Products	Export Ratio	Revenue <i>(approximately RMB million)</i>	Market Share of Sexy lingerie
1	Competitor I	Sexy lingerie	Above 70%	50.0	0.7%
2	Our Group	cosplay costumes, cosplay wigs and sexy lingerie	Above 80%	37.0	0.5%
3	Competitor J	Sexy lingerie	Nil	35.0	0.5%
4	Competitor K	Sexy lingerie	Above 70%	32.0	0.5%
5	Competitor L	Sexy lingerie	Above 70%	30.0	<u>0.4%</u>
					<u>2.6%</u>

KEY ADVANTAGES OF OUR GROUP OVER COMPETITORS

According to the CRI Report, our Group has two key advantages over its competitors, including (i) good relationships with customers as one of the few manufacturers that can design, develop, produce, sell and market cosplay products and non-cosplay apparels; and (ii) strong innovative and research and development capabilities — our Group is well-equipped with creative capacities, experienced talents and advanced technologies, and can swiftly anticipate, identify and respond to the fast-evolving trends and rapidly changing consumer preferences.

KEY ENTRY BARRIERS FOR PRC'S COSPLAY COSTUMES, COSPLAY WIGS AND SEXY LINGERIE MARKETS

1. Environmental compliance — With local and foreign countries imposed stricter requirements for imported garment products in terms of safety and environmental issues, the production process involving emission of wastewater is regulated by government constraints and green barriers set by international purchaser. As a result, in order to become a qualified supplier, new entrants need to keep a good record of environment compliance.

INDUSTRY OVERVIEW

2. Extensive network of customers — the establishment of good relationships with customers and the establishment of international marketing network is the key to maintain enterprises' profitability as animation derivative industry is highly fragmented. A successful manufacturer may take years to develop and thus new entrants do not easily gain enough high-quality customers in a short term.
3. Economies of scale — as the manufacturing of cosplay costumes, cosplay wigs and sexy lingerie is both capital and labour intensive, large-scale investment in fixed assets, raw materials, technology, human resources and cash flow is required to achieve economies of scale. These expenditures include the capital investments required for setting up a factory and purchasing machineries with new technology, employing and fostering professional, technical and management personnel.

KEY INDUSTRY CHALLENGES FOR THE PRC'S COSPLAY COSTUMES, COSPLAY WIGS AND SEXY LINGERIE MARKETS

Business adjustment challenge

Many companies are seeking for new growth opportunities and trying to adjust their business. Export-oriented companies start to develop domestic market while domestic players are looking for chances in overseas market. Lack of relevant experiences and resources brings some uncertainties to these business adjustment.

Foreign exchange challenge

The PRC is the major exporter of cosplay costumes, cosplay wigs and sexy lingerie in the world. A great number of the PRC's manufacturers rely on overseas markets. As a result, fluctuation of foreign exchange exerts a direct impact on the export-oriented companies. RMB has experienced a long period of appreciation, which brings negative impacts to exporters, especially the small scale players. Nonetheless, large players usually have stronger bargaining power and are less sensitive to the change of foreign exchange.

Rising materials and labour costs

Cosplay costumes, cosplay wigs and sexy lingerie manufacturing is a labour-intensive industry. Raw materials and labour force are the major components of cost of sales of cosplay costumes, cosplay wigs and sexy lingerie. In recent years, these costs, in particularly the labour costs, have witnessed a steady growth. Rising labour costs have become one of the major challenges to the manufacturers.

LAWS AND REGULATIONS

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

PRC LAWS AND REGULATIONS

Incorporation, Operation and Management of Wholly Foreign-owned Enterprise

The establishment, operation and management of corporate entities in China are governed by the Company Law of the PRC* (中華人民共和國公司法) (the "Company Law"), which was promulgated by the Standing Committee of the NPC on 29 December 1993 and became effective on 1 July 1994. It was subsequently amended on 25 December 1999, 28 August 2004, 27 October 2005 and 28 December 2013. Pursuant to the Company Law, companies are classified into categories, namely limited liability companies and limited companies by shares. The Company Law shall also apply to foreign-invested limited liability companies and companies limited by shares. According to the Company Law, the provisions otherwise prescribed by the laws on foreign investment shall prevail.

The establishment procedures, approval procedures, registered capital requirement, foreign exchange, accounting practices, taxation and labour matters of a wholly foreign-owned enterprise are regulated by the Wholly Foreign-owned Enterprise Law of the PRC* (中華人民共和國外資企業法) (the "Wholly Foreign-owned Enterprise Law"), which was promulgated on 12 April 1986 and amended on 31 October 2000, and the Implementation Regulations of the Wholly Foreign-owned Enterprise Law of the PRC* (中華人民共和國外資企業法實施細則) (the "Implementation Regulations"), which was promulgated on 12 December 1990, amended on 12 April 2001 and 19 February 2014.

Any investments conducted by the foreign investors and foreign enterprises in the PRC shall be subject to the Catalogue for the Guidance of Foreign Investment Industries* (外商投資產業指導目錄) (the "Guidance Catalogue"), the latest version of which was promulgated by the Ministry of Commerce (商務部) and the National Development and Reform Commission* (國家發展和改革委員會) on 10 March 2015 and came into effect on 10 April 2015. The Guidance Catalogue divides the foreign investment industries into the encouraged foreign investment industries, the restricted foreign investment industries and the prohibited foreign investment industries. Industries which are not listed in the Guidance Catalogue shall be classified as the permitted foreign investment industries. According to the Guidance Catalogue, the core business of our PRC Subsidiaries falls within the permitted category for foreign investment on a wholly-owned basis.

Internet Information Service

According to the Telecommunications Regulations of the PRC* (中華人民共和國電信條例), which were promulgated and became effective on 25 September 2000, and amended on 29 July 2014, telecommunication businesses are divided into basic telecommunication services and value-added telecommunication services.

LAWS AND REGULATIONS

Pursuant to the Administrative Measures for Internet Information Services* (互聯網信息服務管理辦法), which was promulgated and became effective on 25 September 2000, and amended on 8 January 2011, internet information services include commercial and non-commercial services. The term “commercial internet information services” means service activities such as provision of information services, website production or other service to online subscribers through internet for profit, while the term “non-commercial internet information services” means the service activity of provision of information that is in the public domain and openly accessible to online subscribers through internet without charge. An entity who wishes to engage in the provision of commercial internet information services shall apply to the telecommunications administration authority of the province, autonomous region or municipality directly under the central government or the State Council’s department in charge of the information industry for an Internet Information Services Value-added Telecommunications Service Operating Permit. An entity who wishes to engage in the provision of non-commercial internet information services shall carry out record-filing measures with the telecommunications administration authority of the Province, autonomous region or municipality directly under the central government or the State Council’s department in charge of the information industry.

According to the Notice of the General Office of the Ministry of Commerce on the Relevant Issues Concerning the Examination, Approval and Administration of Projects of Foreign Investment in Internet and Vending Machine Sales* (商務部辦公廳關於外商投資互聯網、自動售貨機方式銷售項目審批管理有關問題的通知) promulgated by the MOFCOM on 19 August 2010, it is made clear that a value-added telecom service operation permit is required for the conduct of market place e-commerce (i.e. provision of the online platform for third-party merchants), but not for online direct sales (i.e. sale of goods through the Internet).

Laws and Regulations Relating to PRC Taxation

Enterprise Income Tax

According to the EIT Law promulgated on 16 March 2007 and effective on 1 January 2008 and the Implementation Rules of Enterprise Income Tax Law of the PRC* (中華人民共和國企業所得稅法實施條例) (the “Implementation Rules”) effective on 1 January 2008, the income tax for both domestic and foreign-invested enterprises shall be at the same rate of 25% effective from 1 January 2008.

Value-added Tax

All entities and individuals engaged in the sales of goods, provision of processing, repairs and replacement services, and the importation of goods within the territory of the PRC shall pay VAT in accordance with the Provisional Regulations on Value-added Tax of the PRC* (中華人民共和國增值稅暫行條例) (the “Provisional Regulations on VAT”) and its implementation rules. The Provisional Regulations on VAT was promulgated by the State Council which became

LAWS AND REGULATIONS

effective on 1 January 1994 and amended on 5 November 2008. Pursuant to the Provisional Regulations on VAT and its implementation rules, VAT payable is calculated as “output VAT” minus “input VAT”. The rate of VAT is usually 17% or 13% in certain limited circumstances depending on the product type.

Export Tax Rebate

According to the Provisional Regulations on VAT and the Notice of the Ministry of Finance and the State Administration of Taxation on the Policies of Value-added Tax and Consumption Tax Applicable to Exported Goods and Services* (財政部、國家稅務總局關於出口貨物勞務增值稅和消費稅政策的通知) which came into effect since 1 January 2011, goods and services exported by export-oriented enterprises shall be eligible for VAT exemption and refund policies. In accordance with the regulations on the export tax rebate rate, export commodities have different tax rebate rates depending on the different types, respectively 5%, 9%, 13%, 15%, 16% and 17%.

The Ministry of Finance and the SAT jointly published a Notice on Increasing the Export Tax Rebate Rates of Value Added Tax on Labor-intensive Commodities* (財政部、國家稅務總局關於提高勞動密集型產品等商品增值稅出口退稅率的通知) on 17 November 2008, which increases the tax rebate rate of some of the festive products, such as our cosplay wigs, up to 13%. The tax rebate rate of the festive products shall take effect as at 1 December 2008.

The Ministry of Finance and the SAT jointly published a Notice on the Adjustment of Export Tax Rebate Rate of Certain Products* (財政部、國家稅務總局關於調整部分產品出口退稅率的通知) on 31 December 2014, which increases the tax rebate rate of some of the textile clothes up to 17%. The tax rebate rate of the textile clothes described above shall take effect as of 1 January 2015.

Foreign Currency Exchange and Dividend Distribution

Foreign Currency Exchange

The principal regulation governing foreign currency exchange in the PRC is the Foreign Exchange Administration Rules of the PRC* (中華人民共和國外匯管理條例) (the “Foreign Exchange Administration Rules”). It was promulgated by the State Council on 29 January 1996, became effective on 1 April 1996 and was amended on 14 January 1997 and 1 August 2008. Pursuant to the Foreign Exchange Administration Rules, the payment in and transfer of foreign exchange for current international transactions shall not be subject to the government control or restriction. Renminbi is generally freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments. Under the Foreign Exchange Administration Rules, foreign-invested enterprises in the PRC may purchase foreign exchange without the approval of the SAFE for paying dividends by providing certain evidencing documents (board resolutions, tax certificates, etc.), or for trade and services-related foreign exchange transactions by providing commercial documents evidencing such transactions.

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While convertible for capital account items, such as capital transfer, direct investment, investment in securities, derivative products or loan are subject to registration with the SAFE and approval or file with the relevant governmental authorities (if necessary).

Dividend Distribution

Pursuant to the EIT Law, non-resident enterprises, which have not set up institutions or establishments in the PRC or institutions or establishments are set up but there is no actual relationship with the income obtained by the institutions or establishments, shall pay enterprise income tax in relation to the income originating from China at the tax rate of 20%. However, the Implementation Rules reduced the rate from 20% to 10%.

The PRC government and the government of Hong Kong signed the Arrangement between the Mainland of the PRC and Hong Kong for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income* (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) (the “Arrangement”) on 21 August 2006. According to the Arrangement, no more than 5% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong resident, provided that the recipient is a company that holds at least 25% of the capital of the PRC company. The Notice on Issues relating to the Implementation of the Dividend Provision in Tax Treaties* (關於執行稅收協定股息條款有關問題的通知) (the “Notice 81”) was promulgated on 20 February 2009 by the SAT. The Notice 81 reaffirms the qualification for dividend recipient to enjoy tax preferential of being levied at 5% rate as following: (i) the recipient of the dividend must be a corporation; (ii) the recipient’s ownership in the Chinese company must meet the prescribed direct ownership thresholds at all times during the 12 consecutive months preceding the receipt of the dividends; and (iii) the deal or arrangement is not mainly for the purpose of obtaining the tax preferential.

Product Quality

The principal legal provisions governing product liability are set out in the Product Quality Law of the PRC* (中華人民共和國產品質量法) (the “Product Quality Law”), which was promulgated on 22 February 1993, became effective on 1 September 1993 and amended on 8 July 2000. The Product Quality Law is applicable to all activities of production and sale of any product within the territory of the PRC, and the producers and sellers shall be liable for product quality in accordance with the Product Quality Law. Business in production and sale of our PRC subsidiaries should comply with the Product Quality Law and they shall be liable to product quality.

According to the Regulations of the PRC on Certification and Accreditation* (中華人民共和國認證認可條例), which was promulgated by the State Council on 3 September 2003 and became effective on 1 November 2003, the State will promote certification on products, services and management systems conforming to the requirements of the economic and social development; and the term “certification” as mentioned refers to the assessment activities carried out by the certification bodies to testify whether the products, services, and management systems are in conformity with the relevant technical norms and their compulsive requirements or

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standards, and the term “accreditation” as mentioned refers to the assessment activities carried out by the accreditation bodies to recognise the capabilities and qualifications of the certification bodies, inspection organisations and laboratories, and practicing personnel engaging in such certification activities as appraisal and examination, etc.

Anti-Unfair Competition

Competitions among the business operators in the PRC are generally governed by the Anti-Unfair Competition Law of the PRC* (《中華人民共和國反不正當競爭法》) (the “Anti-Unfair Competition Law”), which was promulgated on 2 September 1993 and came into effect on 1 December 1993. According to the Anti-Unfair Competition Law, corporations, other economic organisations and individuals who are engaging in the trading of goods or profit-making services shall abide by the principles of voluntariness, equality, fairness, honesty and credibility, and observe generally recognised business ethics. Operators shall not conduct acts that damage the lawful rights and interests of other operators or that disturb the socio-economic order. Such acts include, but do not limit to counterfeit, libel, malicious exclusion, commercial bribery and secret infringement.

Protection of Consumer Rights

The Law of the PRC on the Protection of Consumer Rights and Interests* (中華人民共和國消費者權益保護法) (the “Consumer Protection Law”) was promulgated on 31 October 1993 and the latest edition was amended on 25 October 2013 by the Standing Committee of the NPC. Business operators must abide by this law when manufacturing or selling commodities or when rendering services to consumers.

The Consumer Protection Law sets out obligations that business operators must fulfill in their dealings with consumers, including the following:

- commodities and services provided to consumers must comply with the Product Quality Law and other relevant laws and regulations, including requirements for personal and property safety;
- consumers must be provided with authentic information without false or misleading propaganda concerning their commodities and services, as well as truthful and definite replies to inquiries concerning the quality and use of commodities or services provided to them;
- purchase invoices or service vouchers must be issued to consumers in accordance with relevant national regulations or commercial practices;
- the quality and functioning of the commodities or services under normal business operations must be ensured, and the actual quality of the commodities or services must be consistent with what is displayed in advertising materials, product descriptions or product samples;

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- responsibilities such as guaranteed repair, replacement and return must be properly performed in accordance with national regulations or agreements with consumers; and
- unreasonable or unfair terms on consumers or terms or practices that exclude the business operator from civil liability or undermine the legal rights and interests of consumers by means of, among others, standard contracts, circulars, announcements or shop notices should not be imposed.

Violations of the Consumer Protection Law may result in the imposition of fines. In addition, the business operator may be ordered to suspend its operations and its business license may be revoked. Criminal liability may be incurred in serious cases.

According to the Consumer Protection Law, a consumer whose legal rights and interests are infringed upon during the purchase or use of commodities may claim compensation from the seller. Where the responsibility lies with the manufacturer or another seller that provides the commodities to the seller, the seller shall, after settling compensation, have the right to recover such compensation from that manufacturer or that other seller. Consumers or other victims who suffer personal injury or property damage due to product defects in certain commodities may demand compensation from the manufacturer as well as the seller. Where the responsibility lies with the manufacturer, the seller shall after settling compensation, have the right to recover such compensation from the manufacturer, and vice versa.

Environmental Protection

The Environmental Protection Law of the PRC* (中華人民共和國環境保護法) (the “Environmental Protection Law”) became effective on 26 December 1989 and was amended on 24 April 2014. The Regulations on the Administration of Construction Project Environmental Protection* (建設項目環境保護管理條例) (the “Administration Regulations”) was promulgated and became effective on 29 November 1998, and amended on 27 February 2003. According to the Environmental Protection Law and the Administration Regulations:

- (a) enterprises, public institutions and other producers and business operators that discharge pollutants shall take measures to prevent and control the environmental pollution and harm caused by waste gas, waste water, waste residues, medical waste, dust, malodorous gases, radioactive substances, noise, vibration, optical radiation and electromagnetic radiation, etc. generated during production, construction or other activities;
- (b) a statement on environmental impact should be compiled for a construction project that may cause light impact on the environment, giving analysis or special-purpose evaluation of the pollution generated and environmental impact caused by the construction project; and a registration form should be filled out and submitted for a construction project that has slight impact on the environment and necessitates no environmental impact evaluation; and

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- (c) the enterprises, public institutions and other producers and business operators shall discharge pollutants according to pollutant emission license and shall not discharge pollutants without obtaining the pollutant emission license. Where an enterprise, public institution or other producer or business operator is fined and ordered to make correction due to illegal discharge of pollutants but refuses to make correction, the administrative organ that makes the punishment decision pursuant to the law may impose the fine thereon consecutively on a daily basis according to the original amount of the fine commencing from the date immediately following the date when it is ordered to make correction. Where an enterprise, public institution or other producer or business operators discharges pollutants in excess of the pollutant emission standards or the control targets for total emission volume of major pollutants, the competent departments for environmental protection of the people's governments at or above the county level may order it to restrict production, stop production for rectification or take any other measures, or, if the circumstances are serious, may order it to stop operations or close down after such an order has been reported to the people's government with approval authority for approval.

The competent department of environmental protection of the State Council shall conduct unified supervision and administration of the environmental protection work throughout the country. The competent departments of environmental protection of the local people's governments at or above the county level shall conduct unified supervision and administration of the environmental protection work within their respective administrative regions. Different penalties shall be imposed against persons or enterprises in violation of the Environmental Protection Law depending on the individual circumstances and the extent of contamination. Such penalties include fines, the suspension of operations or shut-down or orders to close down or criminal responsibility.

Our operations are also subject to Law of the PRC on Evaluation of Environment Effects* (中華人民共和國環境影響評價法), the Law of the PRC on the Prevention and Control of Water Pollution* (中華人民共和國水污染防治法), the Law of the PRC on the Prevention and Control of Atmospheric Pollution* (中華人民共和國大氣污染防治法), the Law of the PRC on the Prevention and Control of Pollution From Environmental Noise* (中華人民共和國環境噪聲污染防治法) and the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste* (中華人民共和國固體廢物污染環境防治法). These laws and regulations govern a broad range of environmental matters, including air pollution, noise emissions and water and waste discharge. Business operations of our PRC subsidiaries should comply with laws and regulations concerning the environment protection, such as the Environmental Protection Law and the Administration Regulations, and environmental impact assessment should be done and approval shall be obtained before the project was constructed. Operations of companies shall also be under the supervisor of the environment protection bureau.

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Real Property

According to the Land Administration Law of the PRC* (中華人民共和國土地管理法) (the “Land Administration Law”) which was promulgated by the Standing Committee on 25 June 1986 and revised on 28 August 2004, no units or individuals may misappropriate, buy and sell land, or illegally transfer land by other means, however, the right to the use of land may be transferred in accordance with law. State-owned land to be lawfully used by units or individuals shall be registered with and recorded by the PRC government at or above the county level, which shall issue State-Owned Land Use Rights Certificates upon verification. Units or individuals that illegally occupy and use land without approval shall be ordered by the land administration departments of the PRC government at or above the county level to return such land, demolish the structures and installations built on such land within a time limit, or the structures and installations built on such land shall be confiscated, and the units or individuals may also be fined. The persons directly in charge of the said units and other persons directly responsible for the violations shall be given administrative sanctions in accordance with law.

According to the Property Law of the PRC* (中華人民共和國物權法) which was promulgated on 16 March 2007 and came into effect on 1 October 2007, property right mentioned in the Property Law means the exclusive right enjoyed by the obligee to directly dominate a given thing according to law, which consists of the right of ownership, the usufruct and the security interest on property. According to this law, the creation, alteration, transfer or extinction of the property right of the immovables shall become valid upon registration in accordance with the provisions of law. The building ownership certificate is the proof that the obligee is entitled to the property right of the said buildings.

According to the Urban and Rural Planning Law of the PRC* (中華人民共和國城鄉規劃法) which was promulgated by the Standing Committee of the NPC on 28 October 2007 and came into effect on 1 January 2008, after signing a contract for the granting of state-owned land use right, the construction entity or individual shall apply for a Planning Permit on Construction Land* (建設用地規劃許可證) from the urban and rural planning authority under the PRC government at city or county level by submitting the grant contract and the relevant documents of approval, assessment and record for the proposed real estate project. In cases where the construction site of buildings, roads, pipelines or other types is located in a planning zone of a city or county, the construction entity or individual shall apply for a Planning Permit on Construction Project* (建設工程規劃許可證) from the city/county planning authority or the PRC government at village level designated by the provincial PRC government. If a construction project is proceeded without obtaining the planning permit on construction project or by violating the provisions of the planning permit on construction project, the competent department of the urban and rural planning of the local PRC government at or above the county level shall order it to stop the construction. If it is still possible for the construction entity or individual to take measures to eliminate the impact on the implementation of urban and rural planning, the department shall order it or him to correct within a certain time limit and impose a fine of not less than 5% the

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construction cost but not more than 10% the cost; if it is impossible to take measures to eliminate the impact, the department shall order the construction entity or individual to dismantle the building or structure within a certain time limit and confiscate the real objects or the illegal gain, and may also impose a fine not more than 10% the construction cost.

According to the Construction Law of the PRC* (中華人民共和國建築法) (the “Construction Law”) which was promulgated on 1 November 1997 and amended by the Standing Committee of the NPC on 22 April 2011, before the start of construction projects, construction units shall apply to the competent construction administrative departments for construction licenses. Construction enterprises, which act in violation of above mentioned stipulations of the Construction Law to start construction operation without construction permit or at the time when the application for construction operation has not yet been approved, shall be ordered to correct themselves. Construction enterprises of which construction projects cannot meet the requirement for starting operation shall be ordered to stop construction operation and may be imposed fine penalties.

Provisions for Import and Export Goods

Pursuant to the Foreign Trade Law of the PRC* (中華人民共和國對外貿易法) adopted on 12 May 1994 and amended on 6 April 2004 by the Standing Committee of the NPC and implemented since 1 July 2004, the State allows free import and export of goods and technologies, unless it is otherwise provided under the laws and administrative regulations that the import and export of goods and technologies shall be restricted or prohibited (i) for the purposes of the public safety, public interests or morals; (ii) in order to protect the human health or security, the animals and plants life or health or the environment, implement the measures in respect of the importations and exportations of gold or silver, establish or accelerate the establishment of a particular domestic industry, or maintain the State’s international financial status and the balance of international payment; (iii) in the case of domestic shortage in supply or the effective protection of exhaustible natural resources, the limited market capacity of the importing country or region, or the occurrence of serious confusion in the export operation order; or (iv) for the necessary restriction on the import of agricultural, animal husbandry or fishery products in any form, etc.

Pursuant to the Regulations of the PRC on the Administration of the Import and Export of Goods* (中華人民共和國貨物進出口管理條例) promulgated on 10 December 2001 and implemented since 1 January 2002 by the State Council, an automatic import license is required for the goods to be imported through the automatic import licensing system. Such license shall be granted by competent authority upon application. The PRC Customs shall clear the custom duty upon presentation of such automatic license in relation to the goods.

Pursuant to the Foreign Trade Law of the PRC and Measures for the Archival Filing and Registration of Foreign Trade Business Operators* (對外貿易經營者備案登記辦法) which was promulgated by the MOFCOM on 25 June 2004 and became effective on 1 July 2004, the PRC adopted a filing and registration system for foreign trade operators engaged in imports and

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exports of goods, implemented by the Foreign Trade authority under the State Council or its entrusted agencies. Foreign trade operators that have not filed for registration in accordance with the provisions will be declined by the PRC Customs to carry out the PRC Customs clearance and inspection procedures for import and export of goods.

Pursuant to the Customs Law of the PRC* (中華人民共和國海關法) promulgated by the Standing Committee of the NPC on 22 January 1987 and amended on 8 July 2000, 29 June 2013 and 28 December 2013 and related regulations, the declaration of import and export goods may be made by consignees and consignors themselves, and such formalities may also be completed by their entrusted PRC Customs brokers that have registered with the PRC Customs. The consignees and consignors for import or export goods and the PRC Customs brokers engaged in the PRC Customs declaration shall register with the PRC Customs, and no enterprises or persons can make declarations without registering with the PRC Customs or obtaining the relevant qualifications for declaration in accordance with the law.

Principal regulations on the inspection of import and export commodities are set out in the Law of the PRC on Import and Export Commodity Inspection* (中華人民共和國進出口商品檢驗法) promulgated by the Standing Committee of the NPC on 21 February 1989 and amended on 28 April 2002 and 29 June 2013 and its implementation rules. According to the aforesaid law and its implementation regulations, the Administration of Quality Supervision, Inspection and Quarantine of the PRC* (中華人民共和國國家質量監督檢驗檢疫總局) (“AQSIQ”) shall be in charge of the inspection of import and export commodities throughout the country. The local inspection and quarantine authorities set up by AQSIQ shall be responsible for the inspection of import and export commodities within areas under their jurisdiction. The import and export commodities that are subject to compulsory inspection listed in the catalogue compiled by the State administration shall be inspected by the commodity inspection authorities, and the consignor shall apply to the inspection and quarantine authorities for inspection in the places and within the time limit specified by AQSIQ. No permission shall be granted for the export of export commodities subject to mandatory inspection by the inspection and quarantine authorities until they have been found to be up to standard through inspection. While the import and export commodities that are not subject to statutory inspection shall be subject to random inspection. Consignees and consignors themselves or its entrusted agent may apply for inspection to the commodity inspection authorities.

Labour and Safety

According to the PRC Labour Law* (中華人民共和國勞動法) promulgated on 5 July 1994 and became effective on 1 January 1995 and amended on 27 August 2009, workers are entitled to fair employment, choice of occupation, labour remuneration, leave, a safe workplace, a sanitation system, social insurance and welfare and certain other rights. The working time for workers may not exceed eight hours a day and no more than 44 hours a week on average. Employers shall establish and improve their work safety and sanitation system, educate employees on safety and sanitation and provide employees with a working environment that meets the national work safety and sanitation standards.

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The PRC Labour Contract Law* (中華人民共和國勞動合同法) was promulgated on 29 June 2007 and amended on 28 December 2012, and its implementation regulations were implemented on 18 September 2008. According to the Labour Contract Law, labour contracts must be executed in writing to establish labour relationships between employers and employees. Employees who fulfill certain criteria, including having worked for the same employer for 10 years or more, may demand that the employer execute a permanent labour contract. Wages paid by employers may not be lower than the local minimum wage. Both employers and employees must perform their respective obligations stipulated in the labour contracts. Where workers are provided by a staffing company, the staffing company is the employer and performs the legal obligations of an employer toward the dispatched workers, including, among others, entering into a labour contract with a fixed term of more than two years with the workers and paying remuneration for their labour. The staffing company must conclude a labour dispatch agreement with the entities that receive labour services. In the event of a violation of any legal provisions of the Labour Contract Law, administrative penalties may be imposed on employers by the competent PRC government authority in charge of labour administration, including warnings, rectification orders, fines, orders for payment of wages and compensation to employees, revocation of business licenses and other penalties. An entity receiving workers from a staffing company may be held jointly and severally liable together with the staffing company in case harm is done to workers as a result of the staffing company's violation of the Labour Contract Law.

The PRC Employment Promotion Law* (中華人民共和國就業促進法), which became effective on 1 January 2008, requires that individuals have equal employment opportunities, both in hiring and in employment terms, without discrimination on the basis of ethnicity, race, gender, religious belief, communicable disease or rural residence. Under this law, enterprises are also required to provide employees with vocational training. Administrative authorities at the county level or above are responsible for implementing policies to promote employment.

Pursuant to the PRC Social Insurance Law* (中華人民共和國社會保險法) promulgated on 28 October 2010, which became effective on 1 July 2011, employers in the PRC must register with the relevant social insurance authority and make contributions to the basic pension insurance fund, basic medical insurance fund, unemployment insurance fund, maternity insurance fund and work-related injury insurance fund. Pursuant to the PRC Social Insurance Law, basic pension insurance, basic medical insurance and unemployment insurance contributions must be paid by both employers and employees, while work-related injury insurance and maternity insurance contributions must be paid solely by employers. An employer must declare and make social insurance contributions in full and on time. The social insurance contributions payable by employees must be withheld and paid by employers on behalf of the employees. Employers who fail to register with the social insurance authority may be ordered to rectify the failure within a specific time period. If the employer fails to rectify the failure to register within a specified time period, a fine of one to three times the actual premium may be imposed. If the employer fails to make social insurance contributions on time and in full, the social insurance collecting agency shall order the employer to make up the shortfall within the prescribed time period and impose a late payment fee amounting to 0.05% of the unpaid amount for each day overdue. If the non-compliance continues, the employer may be subject to a fine ranging from one to three times the unpaid amount owed to the relevant administrative agency.

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Pursuant to the Regulations on the Administration of Housing Provident Fund* (住房公積金管理條例) effective on 3 April 1999, as amended on 24 March 2002, a unit (including a foreign investment enterprise) shall undertake the registration with the administrative centre of housing provident funds and pay the funds for their staff. If an employer, in violation of the aforesaid regulations, fails to undertake registration or to open the housing provident funds account for its employees, the administrative centre of housing provident funds will impose an order for completion within prescribed time limit, if such employer further fails to process within the aforesaid time limit, a fine ranging from RMB10,000 to RMB50,000 will be imposed. On the other hand, if a unit, in violation of the aforesaid regulations, fails to pay or to fully pay the housing provident funds, the administrative centre of housing provident funds will impose an order for payment within a prescribed time limit if such unit further fails to make payment within the aforesaid time limit, the centre shall have the right to apply for compulsory enforcement in court.

We are also subject to safety laws and regulations in the PRC including the PRC Production Safety Law* (中華人民共和國安全生產法) (the “PRC Production Safety Law”), which became effective on 1 November 2002 and amended on 31 August 2014. The PRC Production Safety Law requires us to maintain safe production conditions as provided in it and other relevant laws, administrative regulations, national standards and industrial standards. Any entity that is not sufficiently equipped to ensure safe production may not engage in production and business operation activities. We are required to offer education and training programmes to our employees regarding production safety. In order to comply with applicable national or industrial standards, the design, manufacture, installation, use, checking and maintenance of our safety equipment is required. In addition, we are required to provide our employees with labour protection equipments that meet the national or industrial standards and to supervise and educate them to wear or use such equipments according to the prescribed rules.

Intellectual Property

The products in the PRC shall be subject to intellectual property laws, which mainly include the Copyright Law of the PRC* (中華人民共和國著作權法) (the “Copyright Law”), the Patent Law of the PRC* (中華人民共和國專利法) (the “Patent Law”) and the Trademark Law of the PRC* (中華人民共和國商標法) (the “Trademark Law”). China is also a signatory to all major intellectual property conventions, including the Paris Convention for the Protection of Industrial Property, Madrid Agreement on the International Registration of Marks and Madrid Protocol, Patent Cooperation Treaty, Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure and the Agreement on Trade-Related Aspects of Intellectual Property Rights.

Under the Copyright Law, which was promulgated on 7 September 1990 and became effective on 1 June 1991, amended on 27 October 2001 and 26 February 2010, works of Chinese citizens, legal persons or entities without legal personality, whether published or not, shall enjoy copyright in accordance with the law. The copyright shall include the right of publication, the right of authorship, the right of alternation, the right of integrity, the right of exploitation and the right to remuneration.

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According to the Trademark Law, which was promulgated by the Standing Committee of the NPC on 23 August 1982 and amended on 22 February 1993, 27 October 2001 and 30 August 2013, the following acts shall be regarded as an infringement upon the right to exclusive use of a registered trademark: (i) using a trademark that is identical with a registered trademark on the same goods without the licensing of the registrant of the registered trademark; (ii) using a trademark that is similar to a registered trademark on the same goods, or using a trademark that is identical with or similar to the registered trademark on similar goods without the licensing of the registrant of the registered trademark, which is likely to cause confusion; (iii) sale of any goods that have infringed the exclusive right to use any registered trademark; (iv) counterfeit or unauthorised production of the label of another's registered trademark, or sale of any such label that is counterfeited or produced without authorisation; (v) change of any trademark of a registrant without the registrant's consent, and selling goods bearing such replaced trademark on the market; (vi) providing, intentionally, convenience for activities infringing upon others' exclusive right of trademark use, and facilitating others to commit infringement on the exclusive right of trademark use; or (vii) other acts that have caused any other damage to another's exclusive right to use a registered trademark.

According to the Patent Law promulgated on 12 March 1984 and became effective on 1 April 1985 and was amended on 4 September 1992, 25 August 2000 and 27 December 2008 and which became effective on 1 October 2009, there are three types of patents, including invention patents, design patents and utility model patents. Invention patents are valid for 20 years, while design patents and utility model patents are valid for ten years, in each case commencing on their respective application dates. Persons or entities who use patents without the consent of the patent owners, make counterfeits of patented products, or engage in activities that infringe upon patent rights are held liable to the patent owner for compensation and may be subject to fines and even criminal punishment.

The patent prosecution system in China is different in many ways from that in other countries. The patent system in China uses the "first to file" principle, which means when more than one person files a patent application for the same invention, the patent will be granted to the person who files the application first. In addition, China requires absolute novelty for an invention to be patentable. Therefore, in general, a patent will be denied if it is publicly known in or outside of China.

Furthermore, patents issued in China are not enforceable in Hong Kong, Taiwan or Macau, each of which has an independent patent system. Although patent rights are national rights, the Patent Cooperation Treaty to which China is a signatory, allows applicants in one country to seek patent protection for an invention that may simultaneously exist in a number of other member countries by filing a single international patent application. The fact that a patent application is pending is no guarantee that a patent will be granted, and even if granted, the scope of a patent may not be as broad as the subject of the initial application.

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Overseas Investment by Domestic Residents

Notice of the State Administration of Foreign Exchange on the Administration of Foreign Exchange Involved in Overseas Investment and Financing and Return on Investment Conducted by PRC Residents via Special-Purpose Companies* (國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) (“SAFE Circular No. 37”), which was promulgated and effective on 4 July 2014, replaces Notice of the State Administration of Foreign Exchange on the Administration of Foreign Exchange Involved in Financing and Return on Investment Conducted by PRC Residents via Special-Purpose Companies* (國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) (“SAFE Circular No. 75”). According to SAFE Circular No. 37, prior to making contribution to a Special-Purpose Company (“SPC”) with legitimate holdings of domestic or overseas assets or interests, a Mainland resident shall apply to the relevant Foreign Exchange Bureau for foreign exchange registration of overseas investment. Mainland resident individuals shall refer to Chinese citizens holding the identity cards for Mainland residents, military identity documents or identity documents for Chinese armed police force, and overseas individuals who do not hold any Mainland legal identity document, but who have habitual residences within the territory of China due to relationship of economic interests. After a SPC has completed overseas financing, if the funds raised are repatriated to the Mainland for use, relevant Chinese provisions on foreign investment and external debt management shall be complied with.

Under the relevant rules, failure to comply with the registration procedures set forth in SAFE Circular No. 37 may result in restrictions being imposed on the foreign exchange activities of the relevant onshore company, including the increase of its registered capital, the payment of dividends and other distributions to its offshore parent or affiliate and the capital inflow from the offshore entity, and may also subject the relevant domestic resident to penalties under PRC foreign exchange administration regulations.

APPROVAL OF THE REORGANISATION AND PROPOSED LISTINGS

On 8 August 2006, six PRC governmental and regulatory agencies, including MOFCOM and the CSRC, promulgated the Regulations on Merger with and Acquisition of Domestic Enterprises by Foreign Investors* (關於外國投資者併購境內企業的規定) (the “M&A Rules”), a new regulation with respect to the mergers and acquisitions of domestic enterprises by foreign investors that became effective on 8 September 2006 and amended on 22 June 2009.

According to the M&A Rules, a foreign investor is required to obtain necessary approvals when it (i) acquires the equity of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (ii) subscribes the increased capital of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (iii) establishes a foreign-invested enterprise through which it purchases the assets of a domestic enterprise and operates these assets; or (iv) purchases the assets of a domestic enterprise, and then invests such assets to establish a foreign-invested enterprise. The M&A Rules, among other things, further purport to require that an offshore special vehicle, or a special purpose vehicle, formed for listing purposes and controlled directly or indirectly by PRC companies or individuals, shall obtain the

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approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange, especially in the event that the special purpose vehicle acquires shares of or equity interests in the PRC companies in exchange for the shares of offshore companies.

According to the Guiding Book on the Access Administration of Foreign Investment* (外商投資准入管理指引手冊) (The 2008 Version), which was promulgated by Foreign Investment Department of the Ministry of Commerce* (商務部外資司) on 18 December 2008, M&A Rules does not apply to the merger and equity transfer of an established foreign-invested enterprise.

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Product Safety and Product Liability Laws

Products shipped into the United States are subject to both federal and state regulatory schemes as well as potential private lawsuits. The regulatory schemes are administered by both federal and state agencies, subject to a variety of statutes and regulations at both levels. Those agencies have the authority to investigate potential violations, issue orders restricting the sale or distribution of products, and assess monetary penalties in some circumstances. Private lawsuits are brought primarily by individuals allegedly harmed by a product.

Federal Regulations

(i) *Consumer Product Safety Improvement Act, 15 U.S.C. § 2051, et. seq. (the "CPSIA")*

The CPSIA makes it unlawful for any person or entity to sell, offer for sale, manufacture for sale, distribute in commerce, or import into the United States any consumer product that is not in conformity with an applicable consumer product safety rule (15 U.S.C. § 2068(a)(1)). The CPSIA empowers a federal agency, the Consumer Product Safety Commission (the "CPSC"), to promulgate regulations to implement the product testing and compliance requirements under the CPSIA and to regulate the manufacture, importation, distribution, and sale of products subject to CPSIA. The CPSC has authority to investigate products that may violate the CPSIA including inspecting warehouses and manufacturing facilities within the United States (15 U.S.C. § 2065), ban products that create an unreasonable risk of injury (15 U.S.C. § 2057), deny importation of products that fail to comply with any applicable product safety rule or lack proper certification (15 U.S.C. § 2066), and impose civil penalties on persons who knowingly distribute products in the United States that violate the CPSIA (15 U.S.C. § 2069 (a)(1)). The CPSIA also makes it a criminal violation to willfully distribute products in the United States that violate the CPSIA. The CPSC has authority to enforce against not only products distributors, but also manufacturers, importers, and retailers.

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The CPSIA mandates that all products subject to any ban or safety standard be accompanied by a General Certificate of Conformity (“GCC”). The GCC must contain the following information: (i) date and place of manufacture; (ii) date and place of testing; (iii) a suitable identification of the manufacturer or private labeler issuing the certificate (including the name and contact information for the individual responsible for maintaining records of test results); and (iv) certification, based on a reasonable testing plan, of conformance with any and all applicable consumer product safety rules, along with a specification of those applicable standards (15 U.S.C. § 2069 (a)(1)). For foreign manufactured goods, the importer is responsible to issue the GCC (16 CFR § 1110.7(a)).

For products intended primarily for use by children, the testing requirements are more stringent — the products must be tested by a “third party conformity assessment body” that has been accredited by the CPSC (15 U.S.C. § 2069 (f)(2)). The provisions of ASTM International Standard F963-07 Consumer Safety Specifications for Toy Safety (ASTM F963) are made a mandatory consumer product safety standard (15 U.S.C. § 2056b(a)). The CPSIA also restricts the levels of certain phthalates and lead that may be present in children’s items. (15 U.S.C. §§ 2057c and 1278a).

(ii) The Federal Hazardous Substances Act, 15 U.S.C. § 1261, et. seq. (the “FHSA”)

The FHSA authorises the CPSC to mandate labeling requirements to ban consumer products that represent a danger to public safety. The FHSA allows the CPSC to enforce regulations for products that fail to meet flammability standards, including those that are not textile based (16 C.F.R. Part 1600, et. seq.). It also places prohibitions and labeling requirements on children’s products that have small parts or sharp edges and restricts the levels of lead content that may be present in those items (16 C.F.R. Part 1500, et. seq.).

(iii) The Flammable Fabrics Act, 15 U.S.C. § 1191, et. seq. (the “FFA”)

The FFA bans the manufacture for sale, the sale, or the offering for sale, in commerce, or the importation into the United States of any product, fabric, or related material that fails to conform to an applicable standard or regulation. Standards have been established for the flammability of clothing textiles, among other things. Apparel products are subject to the FFA and its associated regulations (16 C.F.R. Part 1600, et. seq.).

(iv) Products Labeling Acts

The Textile Fiber Products Identification Act, 15 U.S.C. § 70, et seq. (the “Textile Act”), the Wool Products Labeling Act of 1939, 15 U.S.C. § 68, et seq. (the “Wool Act”) and the regulations related thereto, 16 C.F.R. Part 300 et. seq. prohibit the importation, sale, manufacture for sale, offer for sale, transportation for sale, distribution, or advertising of any textile fiber product that is misbranded or falsely or deceptively advertised. The majority of textile products must have labels sewn into them that are in compliance with regulations; however, it does not include hats, headwear, shoes, belts, armbands, garters, or suspenders. For those items on which sewn in labels

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are required, the labels must contain the company name, material content, care instructions, and country of origin. The Federal Trade Commission has authority to enforce the Textile Act and Wool Act and may issue administrative orders, assess civil penalties, and bring an action in federal court for any violations.

State Regulations

(i) CONEG

The Coalition of Northeastern Governors (the “CONEG”) has developed model legislation designed to phase out the use of mercury, lead, cadmium, and hexavalent chromium in packaging and packaging components. Those requirements specify that the package in its entirety, including any bags, hang tags, or inserts, contains less than 100 parts per million (ppm) of lead, cadmium, mercury, or hexavalent chromium. Both packaging manufacturers and product manufacturers are required to comply with the requirements. There are currently 19 states of the US that have adopted the CONEG requirements, including California, Florida and New York. In order to facilitate the consistent administration of the CONEG limits, ten of these states have formed the Toxics in Packaging Clearing House, which provides guidelines for packaging testing.

(ii) State Product Safety Laws

In addition to the federal standards, a number of states of the US have adopted their own product compliance standards, especially with respect to children’s products. For instance, the State of California enacted Proposition 65 which requires that businesses provide a warning before knowingly and intentionally exposing persons to known carcinogens or reproductive toxicants, unless the business can show that the level of exposure is below the statutory defined level of significant health risk. The statute does not ban the sale of non-compliant products, but does require that they be affixed with a conspicuous warning that the product contains harmful chemicals. Violations can be enforced both by the State’s Attorney General and by private parties bringing public interest lawsuits.

Private Lawsuits

(i) Overview of Product Liability Law

Product liability refers to the responsibility of any or all parties along the chain of manufacture of any product for damage caused by that product. This includes the manufacturer of component parts (at the top of the chain), an assembling manufacturer, the wholesaler, and the retail store owner (at the bottom of the chain). Products containing inherent defects that cause harm to a consumer are subject to product liability lawsuits by private individuals in state or federal court. Defects in apparel that cause injury are governed by the applicable product liability laws in each state.

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Product liability claims can be based on negligence, strict liability, or breach of warranty of fitness, depending on the jurisdiction within which the claim is based. Product liability laws vary from state to state in the US, but most states have enacted a comprehensive statutory scheme. While there is no independent product liability law at the federal level, product liability lawsuits can be filed in federal court where the court would apply the applicable state's law of the US. Generally, though, such lawsuits are filed in state court.

Regardless of the US state in which the claim is brought, a claimant must prove that the product at issue is defective. There are three types of product defects for which manufacturers and suppliers incur liability: design defects, manufacturing defects and defects in marketing. Design defects are inherent; they exist before the product is manufactured. While the item might serve its purpose well, it can be unreasonably dangerous to use due to a design flaw. On the other hand, manufacturing defects occur during the production of the item. Defects in marketing deal with improper instructions and failures to warn consumers of latent dangers in the product.

Product liability is generally considered a "strict liability" offence. That means that a supplier's or manufacturer's liability does not depend on the degree of care exercised. A supplier or manufacturer can be held liable when a claimant shows that the product is defective and caused harm, regardless of whether the manufacturer or supplier exercised appropriate care.

(ii) Jurisdiction Over Foreign Companies

Generally, if an apparel product allegedly causes an injury in the United States, the injured person may file a civil product liability lawsuit in the relevant state court seeking to recover damages against all the companies in the chain of distribution, including foreign manufacturers and distributors. Although a private litigant may file a lawsuit against foreign manufacturers in the chain of production and distribution, the court in which the claim is brought must still possess proper jurisdiction over the foreign defendant.

In the US, a court is allowed to exercise personal jurisdiction over a foreign defendant only if that defendant has certain minimum contacts with the forum state. Personal jurisdiction over a defendant may be obtained through either "general" or "specific" jurisdiction. General jurisdiction is the all-purpose form, allowing any claim to be brought against a foreign defendant as long as the defendant has "systematic and continuous" business contacts with that state. Specific jurisdiction, by contrast, arises from the connection between the forum state and a particular controversy, and is therefore limited to that controversy. That is, a court may have specific jurisdiction over a foreign defendant when that defendant has directed its business activities at residents of that state, and alleged damages arise out of those specific activities.

With respect to specific jurisdiction, the general test used by courts is whether the foreign defendant has "purposefully availed itself" of the privilege of doing business in the particular state by advertising in the forum, shipping goods to that state, or otherwise "targeting" a state for business purposes. In some product liability cases, the manufacturer or upstream seller does not come in direct contact with the forum state, but its products enter the forum through intermediaries such as subsidiaries, agents, or distributors. In these circumstances, courts apply

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what is called the “stream of commerce” test by which specific jurisdiction is asserted over a non-resident defendant that placed its goods, albeit indirectly, into the stream of commerce, knowing that its goods would flow into the forum state. Notably, the recent decisions from the US Supreme Court have stated that, as a general rule, a court will not have specific jurisdiction over a foreign defendant merely because the defendant allowed its merchandise to reach the forum state, or even predicted that its goods would arrive in that forum. Rather, specific jurisdiction will arise only where the actions of the foreign defendant specifically targeted that forum. While our Group is aware that its products are sold in the US through other entities wholly unrelated to our Company, our Group does not direct any of its business activities at the US or at any state within the United States. Specifically, our Group does not directly solicit business or promote, advertise, or market its products in the US, nor has our Group visited the US to attend trade shows or conventions; our Group does not direct or control in any way the sale or distribution of goods in the US (our Group does not exercise control over the destination of its products); our Group does not have any role in creating or controlling the distribution network in the US for our products; all sales of our products are made and completed on an FOB basis in the PRC.

With respect to general jurisdiction, as noted above, the test revolves around whether or not the foreign defendant has had “systematic and continuous contacts” with the forum state. The continuous and systematic contacts test is a difficult one to meet, requiring extensive contacts between a defendant and a forum. The general rule is that for proper exercise of general jurisdiction, the defendant’s connections to the US must be so “continuous and systematic as to render the defendant essentially *at home* in the forum state.” Our Group does not maintain continuous and systematic general business contacts with any state in the US, and has no business presence in the US. Specifically, within the United States, our Group is not registered or licensed to do business in any state; does not have any offices or places of business; does not own or lease real property; does not maintain any bank accounts; does not have any employees; and as noted above, does not directly solicit business or promote, advertise, or market its products. Further, we do not have an exclusive relationship or contract with any distributor for the US market.

In summary, while our products are indeed sold by others to consumers in the US and therefore placed into the stream of commerce, we have no business presence in the US, and do not market or advertise our products in the US. Taken together with the fact that we complete all of our transactions outside the US and do not exercise control over the destination of our products, we have not purposefully availed itself of any US forum.

The application of the foregoing tests for US jurisdiction is highly fact specific, and the major decisions on appeal have resulted in divided opinions of the ruling justices. Recent cases decided by the US Supreme Court have restricted applications of the foregoing tests, and some commentators have noted that the trend in recent cases is beneficial to non-resident foreign manufacturers, like us.

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In light of the above, the Directors, having consulted advisers as to US laws, are of the view that at present, it is unlikely that we would be subject to the jurisdiction of US courts and thus the Group's exposure to liabilities with respect to the US laws and regulations is limited.

US Import Regulations

Our Group manufactures products on a CMS or OBM basis, according to customer requirements, and delivers them primarily on FOB terms. We do not sell products directly to retail customers in the United States and do not import products into the United States. Accordingly, such customers and the products may be subject to laws and regulations within the United States, including import tariffs and other requirements. As our Group does not directly import goods into the United States, our Directors, having consulted advisers as to US laws, are of the opinion that such trade laws and regulations do not apply directly to our Group.

Import Tariffs

The United States generally imposes tariffs on goods imported from China, subject to the general rates applicable to most countries. Those rates are set forth in the US Harmonized Tariff Schedule (the "USHTS"). The Company's cosplay and non-cosplay apparel would appear to fall within Chapters 61 or 62 of the USHTS, relating to apparel, however its cosplay items may fall within Chapter 95 for festive items, for which there is no duty. The cosplay wigs would primarily appear to fall within Chapter 67 of the USHTS. Note that embargoes, anti-dumping duties, countervailing duties, and other specific matters administered by the United States executive branch are not contained in the USHTS and that various regulations or administrative actions could result in modification of these duties.

Section 201 of the Trade Act of 1974, 19 U.S.C. § 2101 et. seq. (the "Trade Act") permits the President of the United States to grant temporary import relief by raising import duties or imposing non-tariff barriers on goods entering the United States that injure or threaten to injure domestic industries producing similar goods. Section 301 of the Trade Act authorises the President of the United States to take all appropriate action, including retaliation, to obtain the removal of any act, policy, or practice of a foreign government that violates an international trade agreement or is unjustified, unreasonable, or discriminatory, and that burdens or restricts US commerce. The law does not require that the US government wait until it receives authorisation from the World Trade Organization ("WTO") to take enforcement actions.

Regulating Quotas

Under China's WTO Accession Agreement, the United States and other WTO member countries maintained the right, through the end of 2008, to impose quotas on imports of products that were disrupting the US market. On 8 November 2005, the United States and China signed a Memorandum of Understanding Concerning Trade in Textiles and Apparel ("MOU"). The MOU included quantitative limits on imports from China of 34 individual product categories and was

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in effect from 1 January 2006, through 31 December 2008. After the MOU expired at the end of 2008, textile and apparel imports from China became subject to normal WTO disciplines and US trade remedy mechanisms. As of 2009, the United States no longer imposes quotas or visa requirements on textiles from China.

Anti-Dumping Laws

Under the Tariff Act of 1930, 19 U.S.C § 1202 et. seq., US industries may petition the government for relief from imports that are sold in the United States at less than fair value (“dumped”) or which benefit from subsidies provided through foreign government programs. Under the law, the US Department of Commerce determines whether the dumping or subsidising exists and, if so, the margin of dumping or amount of the subsidy; the United States International Trade Commission (the “USITC”) determines whether there is material injury or threat of material injury to the domestic industry by reason of the dumped or subsidised imports. For industries not yet established, the USITC may also be asked to determine whether the establishment of an industry is being materially retarded by reason of the dumped or subsidised imports. Where an investigation reveals that foreign products are being “dumped” into the US, the Commerce Department may impose appropriate countervailing duties as a remedy for the dumping activities.

Intellectual Property Protections

Products imported into the United States may be subject to intellectual property laws, which primarily consist of the Copyright Act, 17 U.S.C. § 101 et. seq., the Trademark Act, 15 U.S.C. § 1051 et. seq., and the Patent Act, 35 U.S.C. § 1 et. seq. The United States is also a signatory to all major intellectual property conventions, including the Paris Convention for the Protection of Industrial Property, the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks, the Patent Cooperation Treaty, and the Agreement on Trade-Related Aspects of Intellectual Property Rights.

The Copyright Act protects original works of authorship fixed in any tangible medium of expression, including literary, pictorial, graphic, and sculptural works. Generally speaking, cosplay costume designs are not protectable under the Copyright Act because they are deemed functional. Copyright holders have the exclusive right to reproduce, prepare derivative works, distribute, perform, and display their works. Copyrighted works can be registered with the United States Copyright Office. Although registration is not legally required, copyright holders cannot file a federal lawsuit to enforce their rights without registration and they are entitled to statutory damages and other benefits only for works that are registered. The United States Customs and Border Patrol (“CBP”) also has the authority to seize imported goods that infringe registered works.

A trademark is a word, symbol, or phrase used to identify a particular manufacturer or seller’s products and distinguish them from the products of another. In the United States, trademark rights arise from either use or registration of a mark. The Trademark Act prohibits the use of a trademark in connection with the sale of a good if it is likely to cause consumer confusion

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as to the source of those goods or as to the sponsorship or approval of such goods. In deciding whether consumers are likely to be confused, the courts will typically look to a number of factors, including: (i) the strength of the mark; (ii) the proximity of the goods; (iii) the similarity of the marks; (iv) evidence of actual confusion; (v) the similarity of marketing channels used; (vi) the degree of caution exercised by the typical purchaser; and (vii) the defendant's intent. Federal registration of a mark grants the holder rights throughout the United States and entitles the holder to enhanced damages, including significant statutory damages for counterfeiting. Registered marks can also be lodged with CBP so that infringing goods can be flagged and seized during importation.

The United States recognises three different types of patents: utility, design, and plant. The Patent Act provides protection for novel, non-obvious, and useful processes, machines, articles of manufacture, and compositions of matter. The United States follows a "first inventor to file" system that is slightly different from the "first to file" system used in most countries. If more than one person files an application for the same invention, the patent will be granted to the person who filed their application first, except that there is a one-year grace period for an early discloser who subsequently files a patent application. Utility patents are valid for 20 years from the date of filing; design patents are valid for 14 years from the date of application. Infringement occurs if the elements of a device or process match the elements of a claim in a valid patent. Both damages and injunctive relief are available to remedy an infringement.

EU LAWS AND REGULATIONS

Preliminary note

There is extensive legislation of the EU which aims at safeguarding the health, safety and interests of consumers. The regulations and directives of the EU cover a wide range of aims, such as the promotion of consumers' rights to information and education, consumer safety, the protection of consumers' economic and legal interests, and product packaging and labeling.

While a regulation is a binding legislative act directly applicable in the Member States, a directive must be implemented in the national laws.

Product Liability and Safety

In the EU, product liability is governed by European Council Directive 85/374/EEC of 25 July 1985 on the approximation of the laws, regulations and administrative provisions of the Member States concerning liability for defective products (the "**Product Liability Directive**"). The Product Liability Directive addresses the civil liability of a producer for damage caused by a defect in its product. The Group is considered a producer under Article 3 since it is the manufacturer of a finished product and it presents itself as producer by putting its name, trade mark or other distinguished feature on the product. Injured persons may seek compensation from the Group with regard to damage caused by death or personal injuries, and damage to any item of property intended for private use or consumption. The Product Liability Directive is without prejudice to national provisions relating to non-material damage. According to Article 10, a

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limitation period of three years applies to proceedings for the recovery of damages. Pursuant to Article 11, the rights of the injured person shall be extinguished upon the expiry of a period of three years from the date on which the producer put into circulation the product which caused the damage. Member States may provide that a producers' liability for damage shall be limited to an amount which may not be less than EUR70 million in accordance with Article 16.

The Regulation (EU) No. 1007/2011 of the European Parliament and of the Council of 27 September 2011 on textile fibre names and related labelling and marking of the fibre composition of textile products (Textile Regulation) lays down provisions relating to textile fibre names with regard to their definition and use when indicating the fibre composition of textile products, the labelling of textile products containing non-textile parts of animal origin, and methods of analysis to check information indicated on labels or markings. The Regulation is binding in its entirety and directly applicable throughout the EU.

The Directive 2001/95/EC on general product safety (the “**General Product Safety Directive**”) obliges producers to place only safe products on the market under Article 3. In addition, producers must provide consumers with the necessary information in order to assess a product's inherent threat, take the necessary measures to avoid such threats (e.g. product monitoring, warnings, recalls) and inform the competent national authorities about potential risks under Article 5. The Directive applies in a complementary way to sector-specific and product-specific product safety legislation (such as the Toy Safety Directive as outlined below). The Group is considered a producer under the General Product Safety Directive: Under the CMS business model, the Group is a producer since its activities may affect the safety properties of the products under Article 2 lit. (e) item (ii). Under the OBM business model, the Group is a producer since it presents itself as the manufacturer by affixing to the product the Group's name, trade mark or other distinctive mark under Article 2 lit. (e) item (iii). A product is deemed safe once it conforms to the safety provisions provided in European legislation, or, in the absence of such rules, if it complies with the specific national regulations of the Member State in which it is being marketed or sold. The competent national authorities may impose penalties for infringements of the national provisions adopted pursuant to the General Product Safety Directive.

The Directive 2009/48/EC of the European Parliament and of the Council of 18 June 2009 on the safety of toys (the “**Toy Safety Directive**”) lays down rules on the safety of toys. Costumes and wigs produced by the Group may be considered as toys and if they are designed or intended, whether or not exclusively, for use in play by children under 14 years of age.

Consumer Protection

The purpose of the Directive 2011/83/EU of the European Parliament and of the Council of 25 October 2011 on consumer rights (the “**Consumer Rights Directive**”) is to achieve a high level of consumer protection across the EU. The Consumer Rights Directive, apart from some exceptions such as financial services and insurance, covers contracts between traders and consumers on the sale of goods, services such as the supply of water, gas, electricity and heating, and online digital content.

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Besides the Consumer Rights Directive, the principal directives relevant for consumer protection are: Directive 1999/44/EC of the European Parliament and of the Council of 25 May 1999 on certain aspects of the sale of consumer goods and associated guarantees (Directive on Consumer Sales and Guarantees), Council Directive 93/13/EEC of 5 April 1993 on unfair terms in consumer contracts (Directive on Unfair Contract Terms) and Directive 2005/29/EC of the European Parliament and of the Council of 11 May 2005 concerning unfair business-to-consumer commercial practices in the internal market (Unfair Commercial Practices Directive).

Intellectual Property

With respect to the European legal framework on the protection of intellectual property, the following areas have to be distinguished: (i) patents and utility models, (ii) know-how and other technical intellectual property rights, (iii) copyright, (iv) design rights, and (v) trademarks.

However, these different fields of regulation have in common that compliance with this legal framework has two sides for the company: on the one hand, it needs to make sure that it does not infringe upon intellectual property rights held by third parties. An infringement can entail administrative fines, sanctions under penal law for the individuals involved and measures under civil procedure law as well as competition law against the company, including foreclosure. On the other hand, the company can seek protection of its own intellectual property under this legislation.

In contrast to the areas of trademark and copyright law, the influence of EU legislation on patent law has been quite limited since it has been confined to certain specific areas in patent law such as pharmaceuticals and biotechnology. The respective directives had to be implemented into national law. The directly applicable EU regulations supersede or supplement the national law. The following EU regulations — outside the area of pharmaceuticals and biotechnology, which seems not to pertain to the Group's business — are the most relevant in practice:

- Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights; and
- Regulation (EU) No. 608/2013 of the European Parliament and of the Council of 12 June 2013 concerning customs enforcement of intellectual property rights.

Even the protection of know-how will be driven by EU law as the EU is discussing a Trade Secrets Directive. Meanwhile national laws and international treaties prevail in this area.

Copyright protection is fundamentally based on the idea that works of authorship cannot be transferred by the author like a piece of physical property or a registered patent or trademark. Rather, the copyright — and certain moral rights — to the work remain with the author while it can only grant certain rights of use and exploitation to a work.

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Important European Union legislative acts affecting copyright law are the following:

- the Council Directive 91/250/EEC of 14 May 1991 on the legal protection of computer programs;
- the Directive 96/9/EC of the European Parliament and of the Council of 11 March 1996 on the legal protection of databases; and
- the Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the harmonization of certain aspects of copyright and related rights in the information society.

However, the national laws in the area of copyrights are still crucial and diverge substantially in certain areas.

As regards design rights, on 6 March 2002, the Council Regulation (EC) No. 6/2002 of 12 December 2001 on Community Designs (Community Design Regulation) (the “**Community Design Regulation**”) came into force. This Regulation makes it possible to now obtain protection for designs in all 27 Member States of the European Union simultaneously at little cost. Apart from this Community Design Regulation, namely the Commission Regulation (EC) No. 2245/2002 of 21 October 2002 implementing Council Regulation (EC) No. 6/2002 on Community designs and the Directive 98/71/EC of the European Parliament and of the Council of 13 October 1998 on the legal protection of designs need to be taken into account within the EU in relationship to this topic.

When it comes to trademark regulation, the Council Regulation (EC) No. 207/2009 of 26 February 2009, on the Community trade mark (“**CTR**”) The Office for Harmonization in the Internal Market (OHIM) was set up and started to operate and to accept Community trademark applications on 1 April 1996. With this system it has since been possible to obtain protection for trademarks in all (now) 27 Member States of the European Union by filing only one application. National trademarks are still existing in parallel. Together with the above-mentioned CTR,

- the First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks;
- the Commission Regulation (EC) No. 2868/95 of 13 December 1995 implementing Council Regulation (EC) No. 40/94 on the Community trade mark;
- the Commission Regulation (EC) No. 216/96 of 5 February 1996 laying down the rules of procedure of the Boards of Appeal of the Office for Harmonization in the Internal Market (Trade Marks and Designs);

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- the Council Regulation (EEC) No. 2081/92 of 14 July 1992 on the protection of geographical indications and designations of origin for agricultural products and foodstuffs; and
- Council Decision 2003/793/EC of 27 October 2003 approving the accession of the European Community to the Protocol relating to the Madrid Agreement concerning the international registration of marks make up the main body of EU trademark law.

Customs Duties/Tariff

In principle, customs duties are imposed on goods imported into the European Union from a foreign country. The European Union comprises a customs unit with a common customs tariff. Therefore, the same common customs tariff is applicable on importations irrespective of the member state of the European Union where customs clearance is actually conducted. The common customs tariff provides for a classification of the goods, which determines the applicable tariff rate.

Anti-dumping/Anti-subsidy

According to regulations of the European Council (No. 1225/2009 of 30 November 2009 and No. 597/2009 of 11 June 2009), importations into the European Union may be subject to an additional anti-dumping or anti-subsidy duty imposed by the European Commission. The European Commission basically determines within an investigation whether a product is sold within the European Union at less than its market value, i.e. dumped, or which product benefits from subsidies provided through foreign government programs and whether its release for the free circulation in the European Union could, therefore, pose a threat to or harm the European industry. The European Commission initiates such investigation upon a complaint or on its own discretion.

Depending on the findings, or even in the course of an ongoing investigation, the European Commission may temporarily or permanently impose additional duties on a product. Alternatively, the European Commission may accept certain offers submitted by the concerned parties to revise their prices or may accept offers submitted by the country of origin to reduce the respective subsidy, in order to eliminate the threat to the European industry. The European Commission is not obliged to accept such an offer and may still impose additional duties if the agreed conditions are not met or if a circumvention of anti-dumping or anti-subsidy measures in force is taking place.

VAT/Import VAT

The supply of goods and services rendered within the European Union are generally subject to VAT. Additionally, the importation of goods into the European Union is generally subject to import value added tax (“**Import VAT**”). There is a common harmonized Import VAT and VAT system within the European Union even though the tax rates are determined individually by each member state of the European Union.

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Import VAT is generally due upon the importation of goods into the European Union when the goods are customs cleared. The actual Import VAT rate, therefore, depends on the circumstances and the place of importation within the European Union where customs clearance is conducted. If certain requirements are met, Import VAT may be refundable for the supplier of goods upon application.

VAT is generally due upon the supply of goods or the rendering of services within the European Union. The actual VAT rate depends on the circumstances and the place of supply or service within the European Union.

Excise Duties

Within the European Union, additional taxes may apply to certain goods.

Import Restrictions

According to the regulations of the European Union with respect to importations of goods from foreign countries, any person, group, organization, country or certain goods may be subject to particular measures, such as the complete ban of importation, importation quotas or the requirement for an importation clearance issued by a competent authority of the respective member state of the European Union.

IMPACT OF INTERNATIONAL SANCTIONS LAWS

During the Track Record Period, we had sold our products to customers in Russia (where certain Sanctioned Persons are located). In light of this, we have appointed DLA Piper Hong Kong, an international law firm, to determine whether our sale of products to customers in Russia (where certain Sanctioned Persons are located) during the Track Record Period violate the International Sanctions Laws.

As advised by DLA Piper Hong Kong, our legal advisers as to International Sanctions Laws, our Group's historical sales and other business activities in Russia (where certain Sanctioned Persons are located) during the Track Record Period are not sanctioned activities under International Sanctions laws and do not implicate the application of relevant sanctions laws on our Group, or any, person or entity, including our Group's investors, the Stock Exchange, the HKSCC and the HKSCC Nominees. For details on our business activities in the Russia (where certain Sanctioned Persons are located) and impact of sanctions laws, please refer to the section headed "Business — Business Activities in Sanctioned Countries" in this prospectus.

HISTORY AND CORPORATE STRUCTURE

OVERVIEW

Our history can be traced back to 2004 when Yiwu Styler was co-founded by Mr. Chen and Mr. Chen Sheng Guan with their personal wealth. Mr. Chen and Mr. Chen Sheng Guan are brothers who held 70% and 30% of the equity interest of Yiwu Styler respectively. At that time, Yiwu Styler was engaged in the manufacture of cosplay wigs on CMS basis at the leased production plant in Yiwu City of Zhejiang Province for sale to overseas customers.

In 2007, in view of the potential growth in the animation derivative industry at the time, we tapped into the production of cosplay costumes. We manufactured cosplay costumes on CMS basis by offering solutions across various stages of product development including research and development, production planning, procurement of raw materials and production. To capture the market share, we launched our own brands, namely, “*Styler*” and “*Party Time*” for our cosplay costumes and cosplay wigs manufactured on OBM basis. All the cosplay costumes and cosplay wigs were exported to overseas customers.

Also in 2007, to increase the production capacity, we entered into an agreement to acquire a piece of land together with the properties constructed thereon in Yichun City of Jiangxi Province with a total site area of approximately 81,169.2 sq.m. at the aggregate consideration of approximately RMB5,500,000. Such site was subsequently developed into the Yichun Production Plant.

In 2010, we expanded our product type to cover sexy lingerie. We manufactured sexy lingerie on CMS basis and on OBM basis under our own brand of “*Secret Temptations*”.

In 2013, to cope with the increasing demand, we entered into an agreement to acquire land properties in Yiwu City of Zhejiang Province with a total site area of 20,019.1 sq.m. at the consideration of approximately RMB9,909,454.5 and constructed the Yiwu Production Plant thereon which commenced operation in February 2015. Both the Yichun Production Plant and Yiwu Production Plant are the production bases of our Group.

In 2015, we acquired the trademark of “*WithCity*” at the price of RMB500,000 from an Independent Third Party, and the updating of registration of which under our name with the Trademark Office of SAIC was expected to be completed by January 2016.


Over the years, the Group developed from a CMS manufacturer of cosplay wigs on CMS basis to become a manufacturer which can design, develop, produce, sell and market a variety of cosplay products (mainly including cosplay costumes and cosplay wigs) and non-cosplay apparels including mainly sexy lingerie on both CMS and OBM basis. As at the Latest Practicable Date, our sales covered more than 30 countries and regions around the globe.

HISTORY AND CORPORATE STRUCTURE

The following sets forth the important milestones in the development of the business of our Group up to the Latest Practicable Date:

Year	Event
2004	Yiwu Styler was established and was principally engaged in manufacturing and sale of cosplay wigs
2006	Our Group was engaged by a designated licensee of a globally renowned outdoor theme park chain originated in the U.S. to manufacture cosplay costumes and cosplay wigs on CMS basis
2007	Yiwu Partytime and Jiangxi Styler were established and were principally engaged in manufacturing and sale of cosplay costumes and cosplay wigs Our Group was engaged by various proprietors and licensees of popular animation characters in North America, Europe, and Australia to manufacture cosplay costumes and cosplay wigs on CMS basis Jiangxi Styler entered into an agreement to acquire a piece of land together with the properties constructed thereon in Yichun City of Jiangxi Province which was subsequently developed into the Yichun Production Plant
2008	The Yichun Production Plant commenced operation
2010	Our trademark “  ” was recognised as Notable Trademark of Yichun City* (宜春市知名商標) by Yichun City Administration for Industry and Commerce* (宜春市工商行政管理局) and Yichun City Notable Trademark Recognition Committee* (宜春市知名商標認定委員會)
2011	Our trademark “  ” was recognised as Notable Trademark of Jiangxi Province* (江西省著名商標) by the Jiangxi Province Administration for Industry and Commerce* (江西省工商行政管理局) and such recognition was renewed in 2014 valid for three years Jiangxi Styler was selected by the People’s Bank of China as one of the “Benchmark Companies for Prosperity Survey”* (景氣調查定點企業) Jiangxi Styler obtained the ISO 9001:2008 Quality Management System Certification Certificate issued by Beijing Zhong Da Hua Yuan Certification Centre* (北京中大華遠認證中心) in relation to the production of wigs and textile costumes and such certificate was renewed in 2014
2012	Jiangxi Styler was elected as the Deputy Director Companies* (理事會副理事長單位) of Chamber of Hair Products of China Commerce from Import and Export of Light Industrial Products and Arts Crafts* (中國輕工工藝品進出口商會髮製品分會)

HISTORY AND CORPORATE STRUCTURE

Year	Event
2013	<p>Jiangxi Styler was awarded as Advanced Enterprise of Foreign Trade Export* (外貿出口先進企業) and was elected as Jiangxi Province Cultural Industry Demonstration Base* (江西省文化產業示範基地) by Yichun Municipal Government* (宜春市政府)</p> <p>Yiwu Partytime entered into an agreement to acquire land properties in Yiwu City of Zhejiang Province which was subsequently developed into Yiwu Production Plant</p>
2014	<p>Jiangxi Styler was elected as the Vice Chairman Enterprise of Jiangxi Province Cultural Enterprise Association* (江西省文化產業協會副會長單位)</p> <p>Wig products under our brand of “” were recognised as Jiangxi Top Brand* (江西名牌產品) by the Jiangxi Province Bureau of Quality and Technical Supervision* (江西省質量技術監督局)</p> <p>Jiangxi Styler was awarded as National Cultural Industry Demonstration Base* (國家文化產業示範基地) by the Ministry of Culture of the PRC* (中華人民共和國文化部)</p> <p>Jiangxi Styler was awarded as the Excellent Enterprise of Yichun* (宜春市優秀企業) by the Industry and Information Technology Commission of Yichun* (宜春市工業和信息化委員會), the Yichun Enterprise Confederation* (宜春市企業聯合會) and the Yichun Entrepreneurs Association* (宜春市企業家協會)</p> <p>Jiangxi Styler was awarded Innovative Award* (創新獎) by East China Export Goods Trade Fair* (中國華東進出口商品交易會)</p>
2015	<p>The Yiwu Production Plant commenced operation</p> <p>Jiangxi Styler obtained the ISO 14001:2004 Environmental Management System Certification Certificate in relation to the environmental management activities of production of wigs and textile garments and OHSAS 18001:2007 Occupational Health and Safety Management System Certification Certificate issued by Beijing Zhong Da Hua Yuan Certification Centre* (北京中大華遠認證中心) in relation to the occupational health and safety management activities of production of wigs and textile garments</p> <p>Jiangxi Styler was awarded as 2014 Yichun City E-commerce Demonstration Enterprise* (2014年度宜春市電子商務示範企業) by Yichun City Service Industry Development Office* (宜春市服務發展辦公室)</p> <p>Jiangxi Styler acquired the trademark of “<i>WithCity</i>” at the price of RMB500,000 from an Independent Third Party, and the updating of registration of which under our name with the Trademark Office of SAIC was expected to be completed by January 2016</p>

HISTORY AND CORPORATE STRUCTURE

CORPORATE HISTORY

The following sets forth the corporate development of each member of our Group since their respective dates of incorporation.

Our Company

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 12 February 2015 with an authorised share capital of US\$50,000 divided into 5,000,000 Shares of US\$0.01 each, of which one Share was issued and allotted fully paid to the initial subscriber at par. On the same date, the one share held by the initial subscriber was transferred to Master Professional at par and such transfer was completed on the same date. Also, an aggregate of 9,999 shares of our Company were allotted and issued at par as to 6,999 shares to Master Professional, 1,500 shares to Summit Quest and 500 shares to each of Master Venture, Venture Master and Richest Place respectively. Such new allotments and issuances were completed on 12 February 2015.

On 5 May 2015, the shareholders' resolutions of the Company were passed to change the denomination of the authorised and issued share capital of the Company from USD to HKD such that the 10,000 Shares of US\$0.01 of the Company were reconverted into 78,000 Shares and the par value of the Shares was changed to HK\$0.01 with immediate effect. As such, our Company's total number of issued shares was 78,000 Shares, held as to 54,600 Shares by Master Professional, 11,700 Shares by Summit Quest and 3,900 Shares by each of Master Venture, Venture Master and Richest Place respectively.

Win Profit

Win Profit was incorporated in the BVI on 25 February 2015. As at the date of incorporation, it had an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each, of which one share was issued and allotted fully paid to our Company at par and such allotment and issuance of share was legally completed on 25 February 2015. The share capital and shareholding of Win Profit has remained unchanged since its incorporation.

As at the Latest Practicable Date, Win Profit was an intermediate holding company of our Group which held the entire issued share capital of China Partytime.

China Partytime

China Partytime was incorporated in Hong Kong on 12 March 2015 with a share capital of HK\$1 of which one share was allotted and issued fully paid to Win Profit. The share capital and shareholding of China Partytime has remained unchanged since its incorporation.

As at the Latest Practicable Date, China Partytime was an intermediate holding company of our Group which held the entire equity interest of Jiangxi Styler.

HISTORY AND CORPORATE STRUCTURE

Jiangxi Styler

Jiangxi Styler was established in the PRC as a limited liability company on 19 December 2007 with a registered capital of RMB5,000,000. As at the date of establishment, Jiangxi Styler was owned as to 70% by Mr. Chen and 30% by Mr. Chen Sheng Guan.

On 8 September 2009, the increase of registered capital of Jiangxi Styler was legally completed whereby the registered capital was increased by RMB5,000,000 from RMB5,000,000 to RMB10,000,000. The additional registered capital was contributed in cash as to RMB3,500,000 by Mr. Chen and RMB1,500,000 by Mr. Chen Sheng Guan. The shareholding of Jiangxi Styler remained unchanged after the aforesaid increase in registered capital.

On 1 November 2010, the increase of registered capital of Jiangxi Styler was legally completed whereby the registered capital was increased by RMB10,000,000 from RMB10,000,000 to RMB20,000,000. The additional registered capital was contributed in cash as to RMB7,000,000 by Mr. Chen and RMB3,000,000 by Mr. Chen Sheng Guan. The shareholding of Jiangxi Styler remained unchanged after the aforesaid increase in registered capital.

On 7 March 2011, Ms. Li Lin entered into an equity transfer agreement with each of Mr. Chen and Mr. Chen Sheng Guan to acquire 28% and 12% equity interest in Jiangxi Styler at the cash consideration of RMB5,600,000 and RMB2,400,000 respectively, which was equivalent to the respective amount of the registered capital as represented by the percentage of equity interest of the respective transferors in Jiangxi Styler. The transfers were legally completed on 14 March 2011. As a result, Jiangxi Styler was owned as to 42% by Mr. Chen, 40% by Ms. Li Lin and 18% by Mr. Chen Sheng Guan.

On 23 November 2011, the increase of registered capital of Jiangxi Styler was legally completed whereby the registered capital was increased by RMB10,000,000 from RMB20,000,000 to RMB30,000,000. The additional registered capital was contributed in cash as to RMB4,200,000 by Mr. Chen, RMB4,000,000 by Ms. Li Lin and RMB1,800,000 by Mr. Chen Sheng Guan. The shareholding of Jiangxi Styler remained unchanged after the aforesaid increase in registered capital.

On 10 March 2013, Ms. Li Lin entered into an equity transfer agreement with each of Mr. Chen and Mr. Chen Sheng Guan to transfer 28% and 12% equity interest in Jiangxi Styler at the cash consideration of RMB8,400,000 and RMB3,600,000 respectively, which was equivalent to the respective amount of the registered capital as represented by the percentage of equity interest of Ms. Li Lin in Jiangxi Styler. The transfers were legally completed on 19 March 2013 and as a result Jiangxi Styler was owned as to 70% by Mr. Chen and 30% by Mr. Chen Sheng Guan. Ms. Li Lin ceased to be a shareholder of Jiangxi Styler.

HISTORY AND CORPORATE STRUCTURE

With her experience and connections in the costumes industry, Ms. Li Lin was a shareholder of Yiwu Partytime since its establishment in 2007 and was offered to participate in the growth of our Group by becoming a shareholder in other Group companies in 2011. Ms. Li Lin has ceased to hold equity interest in our Group since 2013 when she migrated to Israel with her family. As at the Latest Practicable Date, Ms. Li Lin did not have any business relationship with the Group and was not involved in any business in competition with the Group.

On 21 March 2013, the increase of registered capital of Jiangxi Styler was legally completed whereby the registered capital was increased by RMB10,000,000 from RMB30,000,000 to RMB40,000,000. The additional registered capital was contributed in cash as to RMB7,000,000 by Mr. Chen and RMB3,000,000 by Mr. Chen Sheng Guan. The shareholding of Jiangxi Styler remained unchanged after the aforesaid increase.

On 1 December 2014, Mr. Chen Sheng Guan entered into an equity transfer agreement with each of Mr. Lin and Ms. Zhou to transfer 5% equity interest in Jiangxi Styler at the cash consideration of RMB2,000,000 to each of Mr. Lin and Ms. Zhou, which was equivalent to the respective amount of the registered capital as represented by the percentage of equity interest of Mr. Chen Sheng Guan in Jiangxi Styler. The transfers were legally completed on 3 December 2014. As a result, Jiangxi Styler was owned as to 70% by Mr. Chen, 20% by Mr. Chen Sheng Guan, 5% by Mr. Lin and 5% by Ms. Zhou.

Since 23 June 2006 and 3 September 2007 respectively, Mr. Lin and Ms. Zhou were employees of our Group. In recognition of their contribution to our Group, they were offered share award in 2011 to participate in the success of our Group by Mr. Chen and Mr. Chen Sheng Guan. Mr. Lin and Ms. Zhou exercised the share award to acquire the equity interest in Jiangxi Styler. As at the Latest Practicable Date, Mr. Lin was an executive director of Jiangxi Styler and Ms. Zhou was vice general manager of Yiwu Styler.

On 23 December 2014, Richest Place entered into an equity transfer agreement with Mr. Chen Sheng Guan to acquire 5% equity interest in Jiangxi Styler at the cash consideration of RMB2,000,000, which was equivalent to the amount of the registered capital as represented by the percentage of equity interest of Mr. Chen Sheng Guan in Jiangxi Styler. Such acquisition has been approved by the Department of Commerce of Jiangxi Province* (江西省商務廳). The acquisition was legally completed on 6 January 2015. As a result, Jiangxi Styler was transformed from a domestic company to a sino-foreign joint venture and was owned as to 70% by Mr. Chen, 15% by Mr. Chen Sheng Guan, 5% by Mr. Lin, 5% by Ms. Zhou and 5% by Richest Place.

On 13 April 2015, China Partytime entered into various equity transfer agreements with Mr. Chen, Mr. Chen Sheng Guan, Mr. Lin, Ms. Zhou and Richest Place to acquire their respective equity interests of 70%, 15%, 5%, 5% and 5% in Jiangxi Styler at the cash consideration of RMB28,000,000, RMB6,000,000, RMB2,000,000, RMB2,000,000 and RMB2,000,000 respectively, which was equivalent to the respective amount of the registered capital as

HISTORY AND CORPORATE STRUCTURE

represented by the percentage of equity interest of the respective transferors in Jiangxi Styler. On 7 May 2015, such acquisition was approved by the Department of Commerce of Jiangxi Province* (江西省商務廳) and the same was legally completed on 11 May 2015. As a result, Jiangxi Styler became a wholly owned subsidiary of China Partytime.

According to the M&A Rules, the acquisition of a PRC domestic enterprise by a foreign investor is subject to approval by the relevant PRC regulatory authorities. As confirmed by our PRC Legal Advisers, prior to the acquisition of 5% equity interest of Jiangxi Styler by Richest Place from Mr. Chen Sheng Guan, Jiangxi Styler is a PRC domestic enterprise, and therefore, the acquisition of 5% equity interest of Jiangxi Styler by Richest Place from Mr. Chen Sheng Guan is an acquisition to be governed by the M&A Rules. Such acquisition has been approved by the Department of Commerce of Jiangxi Province and complied with the requirements under the M&A Rules. As Jiangxi Styler became a sino-foreign equity joint venture enterprise after the above acquisition which will not be regarded as a domestic enterprise under the M&A Rules, our PRC Legal Advisers confirmed that the M&A Rules do not apply to the aforesaid acquisition of Jiangxi Styler by China Partytime.

As at the Latest Practicable Date, Jiangxi Styler was engaged in the manufacturing and sale of cosplay costumes, cosplay wigs and sexy lingerie.

Yiwu Styler

Yiwu Styler was established in the PRC as a limited liability company on 10 March 2004 with a registered capital of RMB500,000. As at the date of establishment, Yiwu Styler was owned as to 70% by Mr. Chen and 30% by Mr. Chen Sheng Guan.

On 17 August 2006, Mr. Chen Shu Cai, who is the father of Mr. Chen and Mr. Chen Sheng Guan, entered into an equity transfer agreement with Mr. Chen Sheng Guan to acquire 30% equity interest in Yiwu Styler at the cash consideration of RMB150,000, which was equivalent to the amount of the registered capital as represented by the percentage of equity interest of Mr. Chen Sheng Guan in Yiwu Styler. The acquisition was legally completed on 24 August 2006 and as a result Yiwu Styler was owned as to 70% by Mr. Chen and 30% by Mr. Chen Shu Cai.

On 23 March 2011, given her experience and connections in costumes industry, Ms. Li Lin was invited to participate in the growth of Yiwu Styler by becoming a shareholder and thus Ms. Li Lin entered into an equity transfer agreement with each of Mr. Chen and Mr. Chen Shu Cai to acquire 28% and 12% equity interest in Yiwu Styler at the cash consideration of RMB140,000 and RMB60,000 from Mr. Chen and Mr. Chen Shu Cai respectively. On the same date, Mr. Chen Sheng Guan entered into an equity transfer agreement with Mr. Chen Shu Cai to acquire 18% equity interest in Yiwu Styler at the cash consideration of RMB90,000. The cash consideration for each of the equity transfer agreements was equivalent to the respective amount of the registered capital as represented by the percentage of equity interest of the respective transferor in Yiwu Styler. The transfers were legally completed on 29 March 2011. As a result, Yiwu Styler was owned as to 42% by Mr. Chen, 40% by Ms. Li Lin and 18% by Mr. Chen Sheng Guan.

HISTORY AND CORPORATE STRUCTURE

On 24 February 2012, Jiangxi Styler entered into various equity transfer agreements with Mr. Chen, Ms. Li Lin and Mr. Chen Sheng Guan to acquire their respective equity interest of 42%, 40% and 18% in Yiwu Styler at the cash consideration of RMB210,000, RMB200,000 and RMB90,000 respectively, which was equivalent to the respective amount of the registered capital as represented by the percentage of equity interest of the respective transferor in Yiwu Styler. The acquisition was legally completed on 29 February 2012 and Yiwu Styler became a wholly owned subsidiary of Jiangxi Styler.

On 29 February 2012, the increase of registered capital of Yiwu Styler was legally completed whereby the registered capital was increased by RMB4,500,000 from RMB500,000 to RMB5,000,000. The additional registered capital was solely contributed in cash by Jiangxi Styler. The shareholding of Yiwu Styler remained unchanged after the aforesaid increase.

As at the Latest Practicable Date, Yiwu Styler was principally engaged in the manufacturing and sale of cosplay wigs.

Yiwu Partytime

Yiwu Partytime was established in the PRC as a limited liability company on 24 June 2007 with a registered capital of RMB500,000. As at the date of establishment, Yiwu Partytime was owned as to 50% by Mr. Chen and 50% by Ms. Li Lin.

On 21 March 2011, Mr. Chen Sheng Guan entered into an equity transfer agreement with each of Mr. Chen and Ms. Li Lin to acquire 8% and 10% equity interest in Yiwu Partytime at the cash consideration of RMB40,000 and RMB50,000 from Mr. Chen and Ms. Li Lin respectively, which was equivalent to the respective amount of the registered capital as represented by the percentage of equity interest of the respective transferor in Yiwu Partytime. The transfers were legally completed on 25 March 2011. As a result, Yiwu Partytime was owned as to 42% by Mr. Chen, 40% by Ms. Li Lin and 18% by Mr. Chen Sheng Guan.

On 27 July 2011, the increase of registered capital of Yiwu Partytime was legally completed whereby the registered capital was increased by RMB4,500,000 from RMB500,000 to RMB5,000,000. The additional registered capital was contributed in cash as to RMB1,890,000 by Mr. Chen, RMB1,800,000 by Ms. Li Lin and RMB810,000 by Mr. Chen Sheng Guan. The shareholding of Yiwu Partytime remained unchanged after the aforesaid increase.

On 3 November 2011, Jiangxi Styler entered into various equity transfer agreements with Mr. Chen, Ms. Li Lin and Mr. Chen Sheng Guan to acquire their respective equity interest of 42%, 40% and 18% in Yiwu Partytime at the cash consideration of RMB2,100,000, RMB2,000,000 and RMB900,000 respectively, which was equivalent to the respective amount of the registered capital as represented by the percentage of equity interest of the respective transferor in Yiwu Partytime. The acquisition was legally completed on 9 November 2011 and Yiwu Partytime became a wholly owned subsidiary of Jiangxi Styler.

HISTORY AND CORPORATE STRUCTURE

On 2 December 2013, the increase of registered capital of Yiwu Partytime was legally completed whereby the registered capital was increased by RMB15,000,000 from RMB5,000,000 to RMB20,000,000. The additional registered capital was solely contributed in cash by Jiangxi Styler. The shareholding of Yiwu Partytime remained unchanged after the aforesaid increase.

As at the Latest Practicable Date, Yiwu Partytime was principally engaged in the manufacturing and sale of cosplay costumes and sexy lingerie.

Subsidiaries deregistered or disposed of during Track Record Period

Jiangxi Chunchao

Jiangxi Chunchao Real Estate Development Limited* (江西春潮房地產開發有限公司) (“Jiangxi Chunchao”) was established in the PRC as a limited liability company on 26 March 2012 with a registered capital of RMB8,000,000. Jiangxi Chunchao was set up by Jiangxi Styler with the intention to invest in the real estate business in Yichun City as the real estate market in the PRC at that time was booming. However, Jiangxi Chunchao had remained inactive since its establishment. In order to allocate our resources to focus on our core business, Jiangxi Chunchao was deregistered on 6 January 2013 after the approval of the Yichun Economic Development Area Administration for Industry and Commerce* (宜春經濟開發區工商行政管理局).

As confirmed by our PRC Legal Advisers, the deregistration of Jiangxi Chunchao by our Group has complied with the requirements of the PRC laws and regulations and our Group has performed all necessary legal procedures. Also, the Directors confirm that Jiangxi Chunchao had not been involved in any claim, complaint, sanction or litigation.

Anhui Chunchao

Anhui Chunchao Cultural Creativity Limited* (安徽春潮文化創意有限公司) (“Anhui Chunchao”) was established in the PRC as a limited liability company on 25 March 2013 by Jiangxi Styler with a registered capital of RMB5,000,000. At that time, the Group planned to establish a factory in Anhui Province, to expand the Group’s production capacity. Soon after the establishment of Anhui Chunchao, the Group successfully acquired a piece of land in Yiwu City for the construction of the Yiwu Production Plant, and therefore the Group decided not to pursue the plan of setting up a factory in Anhui Province. In order to streamline the corporate structure and retain sufficient capital, Jiangxi Styler decided to dispose of Anhui Chunchao. On 18 October 2013, Jiangxi Styler entered into an equity transfer agreement with each of Mr. Weng Qi He (翁其何) and Mr. Chen Sheng Guan to dispose of the registered capital in the amount of RMB3,000,000 and RMB2,000,000 in Anhui Chunchao respectively at the cash consideration of RMB3,000,000 and RMB2,000,000 respectively. On 10 December 2014, Mr. Chen Sheng Guan disposed of 40% equity interest in Anhui Chunchao to Mr. Chen Liang (陳亮) at the cash consideration of RMB2,000,000. The cash consideration for each of the aforesaid transfers was equivalent to the respective amount of the registered capital as represented by the percentage of equity interest of the respective transferor in Anhui Chunchao. Each of Mr. Weng Qi He and Mr. Chen Liang was an Independent Third Party.

HISTORY AND CORPORATE STRUCTURE

Styler Trading

Jiangxi Styler International Trading Co. Ltd.* (江西絲黛國際貿易有限公司) (“Styler Trading”) was established in the PRC as a limited liability company on 7 April 2010 by Jiangxi Styler with a registered capital of RMB2,000,000. Leveraging on our export experience, we attempted to tap into trading business by setting up Styler Trading to import and export goods which are unrelated to the Group’s products, for example scarfs and gloves. However, with a view to allocate our resources to focus on our core business, on 20 May 2014, Jiangxi Styler entered into an equity transfer agreement with each of Mr. Li Bin (李斌) and Mr. Yuan Gong Fa (袁功發) to dispose of 51% and 49% equity interest in Styler Trading at the cash consideration of RMB1,020,000 and RMB980,000 respectively, which was equivalent to the respective amount of the registered capital as represented by the relevant percentage of equity interest in Styler Trading. Each of Mr. Li Bin and Mr. Yuan Gong Fa was an Independent Third Party.

As advised by our PRC Legal Advisers, the above disposals of Anhui Chunchao and Styler Trading have been properly and legally completed and settled and all necessary approvals from the relevant PRC authorities have been obtained. As at the Latest Practicable Date, our Group did not have any business dealings with Anhui Chunchao and Styler Trading.

Pre-IPO Investment

Pursuant to an equity transfer agreement dated 23 December 2014 entered into between Richest Place and Mr. Chen Sheng Guan, Richest Place acquired 5% equity interest in Jiangxi Styler from Mr. Chen Sheng Guan at the cash consideration of RMB2,000,000, which was equivalent to the amount of the registered capital as represented by the percentage of equity interest of Mr. Chen Sheng Guan in Jiangxi Styler. The sale proceeds were for the personal use of Mr. Chen Sheng Guan.

Details of the acquisition by Richest Place pursuant to the equity transfer agreement are as follows:

Percentage of equity interest in Jiangxi Styler acquired by Richest Place	:	5%
Total consideration	:	RMB2,000,000
Date of investment	:	23 December 2014
Payment date	:	24 February 2015
Number of Shares to be held by Richest Place upon Listing	:	28,125,000 Shares

HISTORY AND CORPORATE STRUCTURE

Percentage of shareholding of Richest Place upon Listing	:	3.75%
Effective purchase cost per Share (approximately)	:	HK\$0.086
Discount to the Offer Price (approximately)	:	91.7% (being the mid-point of the indicative offer price range stated in this prospectus)

Richest Place is a company incorporated in Hong Kong and wholly owned by Cheerful Rise, a BVI incorporated company, which is in turn wholly owned by Ms. Ng Choi Fung. Ms. Ng Choi Fung contributed from her personal wealth to the issued share capital of Cheerful Rise. Richest Place and Cheerful Rise are principally engaged in the business of real estate investment, securities and equity investment. Ms. Ng Choi Fung has 30 years working experience in accounting whereby she gained exposure to the financial services sector and capital markets. She has established an extensive network of financial institutions and has maintained good relationship with the same. Ms. Ng Choi Fung was acquainted with Mr. Chen in 2014 and expressed her interest in investing in animation derivative industry in light of the potential growth. Ms. Ng Choi Fung visited the production base of our Group on several occasions and affirmed her investment in our Group to capitalise on the expected development of the animation derivative industry and to diversify her investment portfolio. Such acquisition was considered to be beneficial to the Group because as compared with a domestic company, a foreign-invested enterprise is more accessible to offshore financing opportunities which serve as a financing platform to satisfy the Group's needs. We can also leverage on the experience of Ms. Ng Choi Fung in the financial services sector to advise the Group on the possible structures of financing so to choose a suitable structure in light of the needs and future development of the Group. In addition, Ms. Ng Choi Fung has maintained her own network of and good relationship with the financial institutions, through which Ms. Ng Choi Fung may assist the Group in negotiating for more favourable terms in obtaining financing for the Group.

Ms. Ng Choi Fung is an Independent Third Party (other than her beneficial interest in the shareholding interest in our Group). With the introduction of Richest Place as a shareholder of Jiangxi Styler, Jiangxi Styler was transformed from a PRC domestic enterprise to a sino-foreign equity joint venture. This transformation facilitated the Listing process of the Group in compliance with the M&A Rules. The PRC Legal Advisers confirmed that the investment by Richest Place has been approved by the Department of Commerce of Jiangxi Province* (江西省商務廳) and complied with the requirements under the M&A Rules.

Save as disclosed in this prospectus, Richest Place, its holding company and the ultimate beneficial owner do not have any other relationship, whether present or past, with our Group, the Shareholders, the Directors, the senior management of our Group, any connected person of our Company, or any of their respective associates. The investment in our Group by Richest Place as stated above was not financed directly or indirectly by connected persons of our Company nor our Group.

HISTORY AND CORPORATE STRUCTURE

Richest Place, Cheerful Rise and Ms. Ng Choi Fung have not been and are not involved in the management and daily operation of our Group.

There is no special right granted to Richest Place in connection with its investment in our Group. As Richest Place will only hold 3.75% of the total issued share capital of our Company immediately following the completion of the Global Offering (without taking into account the Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options which have been or may be granted under the Share Option Scheme), it will not be a substantial shareholder of our Company upon Listing and its shareholding in our Company will be counted as part of the “public float” for the purpose of Rule 8.08 of the Listing Rules.

On the basis that the investment by Richest Place to our Group was completed more than 28 clear days before the date of submission of the initial listing application, the Sole Sponsor confirms that such investment has complied with the Guidance Letter HKEx-GL29-12 and HKEx-GL43-12 (updated in July 2013) of the Stock Exchange.

Lockup Undertakings

Master Venture, Venture Master and Richest Place (including their respective shareholders and ultimate beneficial owners) agree and undertake to our Company and the Sole Sponsor that at any time in the period commencing from the date by reference in which disclosure of their shareholding in our Company is made in this prospectus and ending six months after the Listing Date, without obtaining the prior written consent from our Company and Sole Sponsor, they shall not:

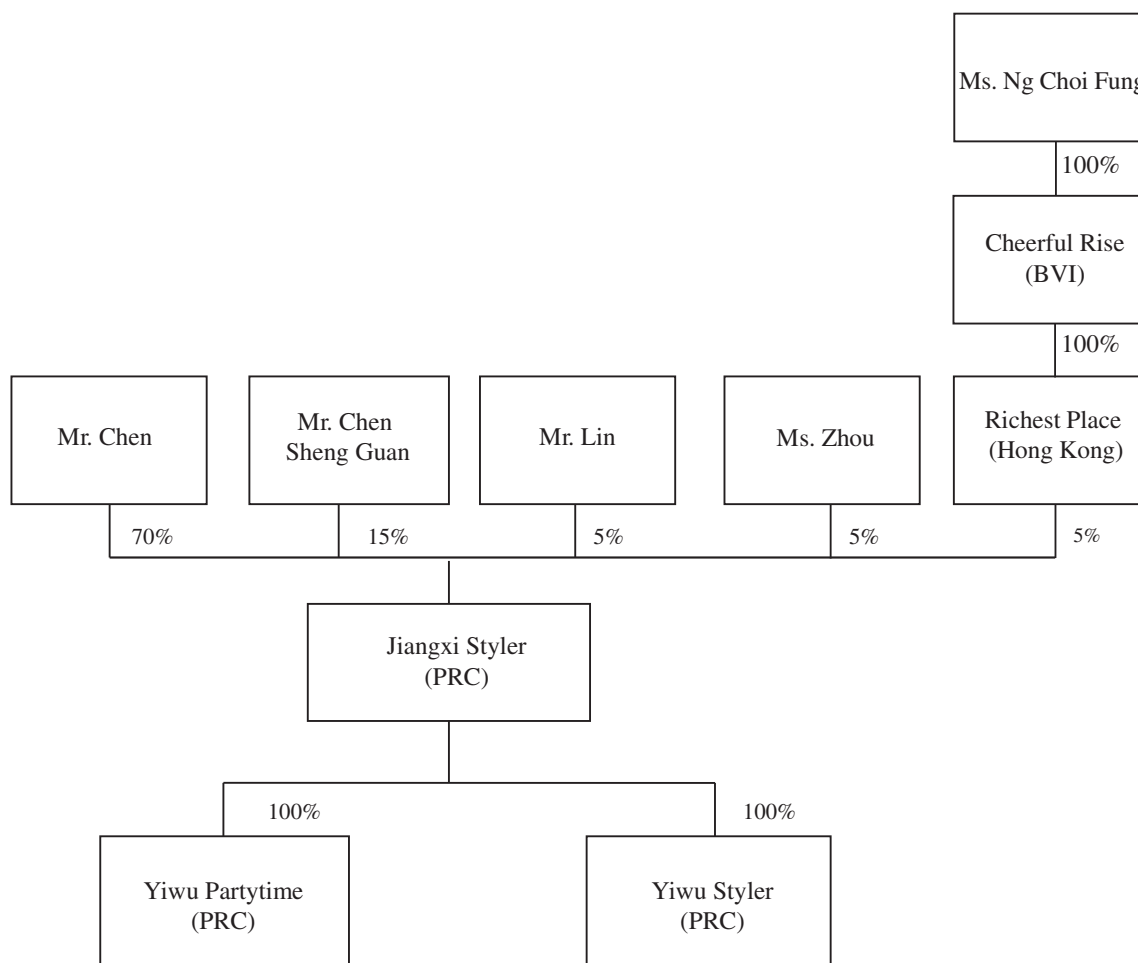
- (a) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any share capital or other securities of our Company or any interest therein (including, but not limited to any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such capital or securities or any interest therein); or
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any such capital or securities or any interest therein; or
- (c) enter into any transaction with the same economic effect as any transaction described in (a) or (b) above; or
- (d) offer or agree or contract to, or publicly announce any intention to enter into, any transaction described in (a), (b) or (c) above,

HISTORY AND CORPORATE STRUCTURE

whether any of the foregoing transactions is to be settled by delivery of such capital or such other securities, in cash or otherwise, and in each case, with respect in the interest to our Company beneficially held by them as of the Listing Date.

CORPORATE STRUCTURE

The following diagram shows the shareholding and corporate structure of our Group immediately before the Reorganisation.



REORGANISATION

The Reorganisation consisted of the following major steps:

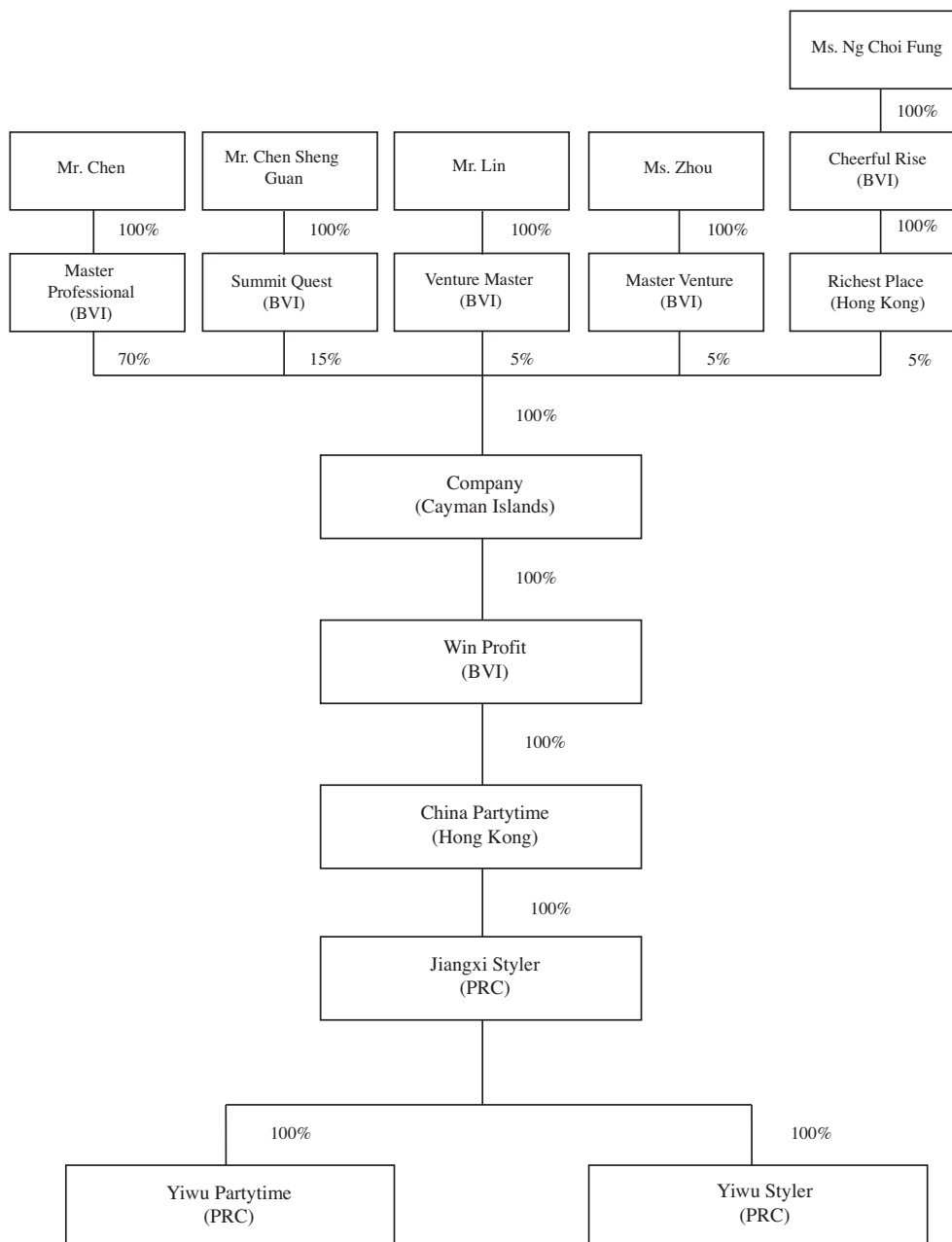
1. On 20 January 2015, Master Professional was incorporated in the BVI as a limited liability company with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each, and one subscriber share was allotted to Mr. Chen at par.
2. On 20 January 2015, Summit Quest was incorporated in the BVI as a limited liability company with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each, and one subscriber share was allotted to Mr. Chen Sheng Guan at par.

HISTORY AND CORPORATE STRUCTURE

3. On 20 January 2015, Venture Master was incorporated in the BVI as a limited liability company with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each, and one subscriber share was allotted to Mr. Lin at par.
4. On 20 January 2015, Master Venture was incorporated in the BVI as a limited liability company with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each, and one subscriber share was allotted to Ms. Zhou at par.
5. On 12 February 2015, our Company was incorporated in the Cayman Islands with limited liability. At the time of incorporation, our Company had an authorised share capital of US\$50,000 divided into 5,000,000 shares of US\$0.01 each, of which one Share was issued and allotted fully paid to the initial subscriber at par. On the same date, the one Share held by the initial subscriber was transferred to Master Professional. Also, an aggregate of 9,999 shares of our Company were allotted and issued at par as to 6,999 shares to Master Professional, 1,500 shares to Summit Quest and 500 shares to each of Master Venture, Venture Master and Richest Place respectively. As a result, the shareholding interest of the Company was held as to 70% by Master Professional, 15% by Summit Quest, 5% by Master Venture, 5% by Venture Master and 5% by Richest Place. On 5 May 2015, the shareholders' resolutions of the Company were passed to change the denomination of the authorised and issued share capital of the Company from USD to HKD such that the 10,000 shares of US\$0.01 of the Company were reconverted into 78,000 Shares and the par value of the Shares was changed to HK\$0.01 with immediate effect. As such, our Company's total number of issued shares was 78,000 Shares, held as to 54,600 Shares by Master Professional, 11,700 Shares by Summit Quest and 3,900 Shares by each of Master Venture, Venture Master and Richest Place respectively.
6. On 25 February 2015, Win Profit was incorporated in the BVI with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each, and one subscriber share was issued and allotted fully paid to our Company at par.
7. On 12 March 2015, China Partytime was incorporated in Hong Kong with a share capital of HK\$1 of which one share was allotted and issued fully paid to Win Profit.
8. On 13 April 2015, China Partytime entered into an equity transfer agreement with each of Mr. Chen, Mr. Chen Sheng Guan, Mr. Lin, Ms. Zhou and Richest Place to acquire their respective equity interest of 70%, 15%, 5%, 5% and 5% in Jiangxi Styler at the cash consideration of RMB28,000,000, RMB6,000,000, RMB2,000,000, RMB2,000,000 and RMB2,000,000 respectively, which was equivalent to the respective amount of the registered capital as represented by the percentage of equity interest of the respective transferors in Jiangxi Styler. Such acquisitions have been approved by Department of Commerce of Jiangxi Province* (江西省商務廳). The acquisition was legally completed on 11 May 2015. As a result, Jiangxi Styler became a wholly owned subsidiary of China Partytime.

HISTORY AND CORPORATE STRUCTURE

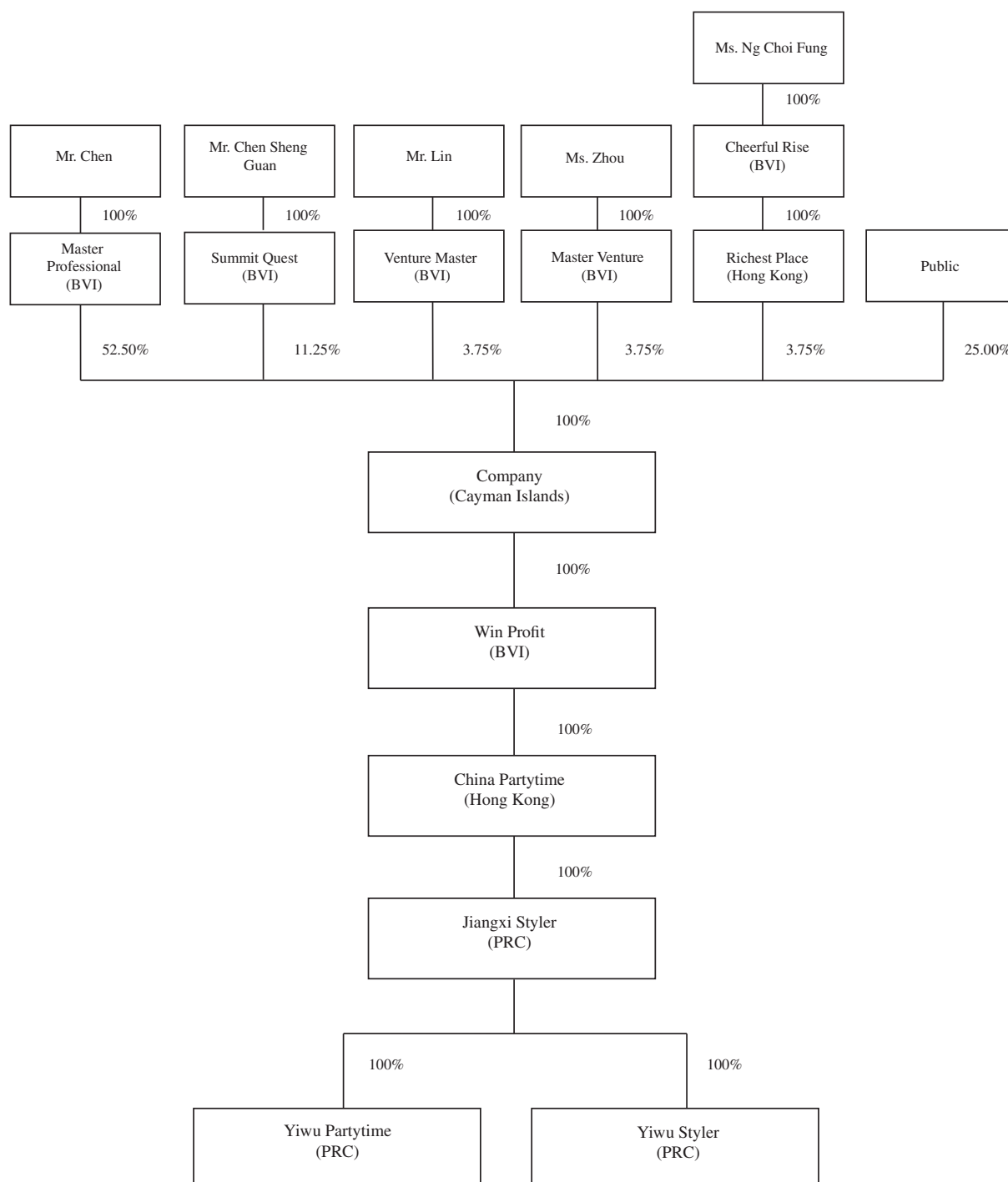
As at the Latest Practicable Date, the above steps of the Reorganisation have been legally completed. The following diagram shows the shareholding and corporate structure of our Group immediately after completion of the Reorganisation but before completion of the Capitalization Issue and the Global Offering:



As advised by our PRC Legal Advisers, at the time of Reorganisation, Jiangxi Styler was a sino-foreign equity joint venture enterprise. The Reorganisation involved an acquisition of equity interest in a sino-foreign equity joint venture enterprise, and as such, the M&A Rules is not applicable and approval from MOFCOM, CSRC or other PRC government authorities for the Listing is not required. As confirmed by our PRC Legal Advisers, our beneficial owners who are PRC citizens have completed the process of registration pursuant to SAFE Circular No.37 on 28 February 2015.

HISTORY AND CORPORATE STRUCTURE

The following diagram shows the shareholding and corporate structure of our Group immediately after completion of the Capitalisation Issue and the Global Offering (without taking into account the Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme):



BUSINESS

OVERVIEW

We design, develop, produce, sell and market cosplay products (including cosplay costumes and cosplay wigs) and non-cosplay apparels including mainly sexy lingerie. Our products are principally for export sales to more than 30 countries and regions around the globe including mainly the US, Germany, the UK and Australia. According to the CRI Report, we were (i) the largest manufacturer of cosplay wigs; (ii) the third largest manufacturer of cosplay costumes; and (iii) the second largest manufacturer of sexy lingerie, in the PRC in terms of revenue in 2014.

Our cosplay products include mainly party and animation inspired cosplay costumes and wigs featuring cosplaying characters, including popular characters from animations, comics, cartoons, traditional fairy tales, movies and games, as well as traditional, party and festive themes like Halloween and Christmas. As at the Latest Practicable Date, we had successfully launched in the market over 1,800 kinds of costumes and 1,100 kinds of wigs and accessories.

Our comprehensive service platform offers solutions across various stages of product development including research and development, production planning, procurement of raw materials and production. It is one of the key differentiating factors which sets us apart from the rest of the market and is the basis on which our self-owned brands are developed and constantly expanded.

Our business can be classified into two major categories, namely CMS business and OBM business. The following table sets forth the revenue of our respective CMS and OBM business for each of the three years ended 31 December 2014 and the three months ended 31 March 2015:

	For year ended 31 December						For the three months ended	
	2012		2013		2014		31 March 2015	
	<i>RMB'000</i>	<i>% RMB'000</i>	<i>RMB'000</i>	<i>% RMB'000</i>	<i>RMB'000</i>	<i>% RMB'000</i>	<i>% RMB'000</i>	<i>%</i>
CMS business	194,249	79.0	231,888	77.6	324,588	81.6	71,709	73.6
OBM business	<u>51,576</u>	<u>21.0</u>	<u>66,864</u>	<u>22.4</u>	<u>73,335</u>	<u>18.4</u>	<u>25,684</u>	<u>26.4</u>
Total	<u><u>245,825</u></u>	<u><u>100.0</u></u>	<u><u>298,752</u></u>	<u><u>100.0</u></u>	<u><u>397,923</u></u>	<u><u>100.0</u></u>	<u><u>97,393</u></u>	<u><u>100.0</u></u>

Our revenue for each of the three years ended 31 December 2014 was approximately RMB245.8 million, RMB298.8 million and RMB397.9 million respectively, representing a CAGR of approximately 27.2%. For the three months ended 31 March 2015, our CMS business and our OBM business contributed, respectively, to approximately 73.6% and 26.4% of our revenue.

BUSINESS

CMS Business

Beginning in 2004, we provide CMS services to a large number of well-known customers in both the developed and the developing markets, including (i) a number of designated licensees of a globally renowned outdoor theme park chain originated in the U.S.; (ii) proprietors and licensees of popular animation characters in North America, Europe, Japan and Australia; and (iii) notable brands and department stores operating mainly in North America, Germany, the UK and Australia. During the Track Record Period, the revenue derived from our customers who are proprietors or licensees of animation characters contributed to our total revenue growth and amounted to approximately RMB94.8 million, RMB125.5 million, RMB174.8 million and RMB52.2 million respectively, which accounted for approximately 38.6%, 42.0%, 43.9% and 53.6% of our total revenue respectively. Our CMS products will be labelled with the brands of our CMS customers or their respective ultimate customers, who also own all the designs and copyrights in relations to the products.

To further consolidate our customer base, we leverage on our experience in producing products based on customers' specifications and gradually expanded to the provision of full-fledged value-added solutions to our CMS customers across various stages of product development including research and development, production planning, procurement of raw materials and production. In providing tailor-made services to our CMS customers, our involvement in each of the aforesaid stages may vary from order to order. Our research and development department would work alongside the designers of our CMS customers in turning initial ideas and concepts originated from our CMS customers into producible and marketable products.

With our proven track record in providing high quality products and services and our quality control system that is compliant with various international standards, many of our CMS customers have remained as our long-term customers throughout the past years. During the Track Record Period, our major CMS customers included but were not limited to R.H. Smith & Sons (Wigmakers) Ltd., Spencer Gifts, LLC, Lovin Enterprises Inc., Leg Avenue, Inc., Elope, Inc., Widmann S.R.L. and Easter Unlimited, Inc..

OBM Business

Leveraging on our experience in CMS business, we developed our own branded cosplay costumes and cosplay wigs under the respective brands of "Styler" and "Party Time" in 2008 and sexy lingerie under the brand of "Secret Temptations" in 2011, and positioned and targeted our OBM products at both the overseas and the domestic markets. Our cosplay wig brand "Styler" has been awarded Notable Trademark of Jiangxi Province* (江西省著名商標) and Jiangxi Top Brand* (江西名牌產品) in the respective years of 2011 and 2014. Whilst our CMS customers include mainly the established players in the market, our Directors note that our overseas OBM customers include mainly (i) new market entrants who lack established brand names and ready lines of products to break into an existing market; and (ii) players operating in markets where our existing CMS customers' presence tends to be relatively insignificant.

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As for our OBM sales in the PRC, we used to sell our OBM products to Independent Third Party trading companies, corporations and end customers in the PRC in the past.

From December 2014 onwards, our OBM business in the PRC domestic market had begun to focus more on online sales through internet trading platforms as selling our OBM products to end-customers directly will be our primary means to achieving our domestic OBM sales target in the future. From December 2014 onwards and as at the Latest Practicable Date, all of our OBM products sold in the PRC domestic market via the “*WithCity*” e-shops were all under the brand of “*WithCity*”. Instead of using our established brands “*Styler*”, “*Party Time*” and “*Secret Temptations*”, we conducted online sales of our OBM products solely under the brand “*WithCity*” as we intend to distinguish our OBM products to be sold through internet trading platforms from those to be sold through other sales channels. We had been authorised to use the trademark “*WithCity*” as licensee in October 2014. We acquired the trademark of “*WithCity*” from its owner, who was an Independent Third Party, in April 2015 at a price of RMB500,000. The updating of registration of such trademark under our name with the Trademark Office of SAIC was expected to be completed by January 2016. Our PRC Legal Advisers confirmed that although the registration of the “*WithCity*” trademark under our name has not yet been completed, Jiangxi Styler has the exclusive right to use the “*WithCity*” trademark pending the completion of registration of the said trademark under our name.

During the Track Record Period, there were minimal competitions between the two business categories due largely to the size of the market and the abundant opportunities available in the animation derivative industry and sexy lingerie industry. We have, nonetheless, adopted a customer differentiation strategy to ensure that there will not be any significant overlapping of customers between our OBM business and our CMS business to minimise any potential competition in the future. We believe that by developing and growing our own brands, we will not only be able to capture the growing opportunities in an increasingly consolidating market but also achieve higher OBM profit margins in excess of our CMS profit margins as our brands become more established in the future. We also believe that our OBM business helps differentiate us further from our major competitors in the PRC as the majority of them are currently operating as OEM manufacturers.

Research and Development

As at the Latest Practicable Date, our research and development department was equipped with a dedicated team of 63 full-time research and development staff members and two consultants who has extensive experience in the animation derivative industry and garment industry. Up to the Latest Practicable Date, we had successfully obtained two invention patents, twelve utility model patents and five design patents in the PRC focusing mainly on (i) technologies concerning the production of our products; and (ii) packaging of our products. Our research and development department works mainly on the fronts of (i) product proliferation; (ii) improving and enhancing our production capacity, production efficiency and product quality through technological innovations; and (iii) developing and applying new materials with unique features. To strengthen our research and development capacities, we have also, among others, entered into collaboration agreements with universities and colleges in the PRC on the research and development of new production technologies.

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Quality Control

Our quality control team works mainly on inspection on three fronts: (i) raw materials; (ii) the production process; and (iii) semi-finished products and final products. We work to ensure that our quality control system adheres to international or domestic standards, as the case may be, in such aspects as product quality, product safety and corporate social responsibility. Such international quality standards include but are not limited to the American ASTM standards, the European EN71 and REACH. As for domestic quality standards, we were awarded Enterprise Work Safety Standardization Certificate* (安全生產標準化證書) by the Administration of Work Safety of Jinhua City* (金華市安全生產監督管理局) in 2013. Our quality control team is responsible for ensuring compliance with these requirements and other applicable regulations, standards and internal policies in all aspects of our operations. We have also gone through and passed the factory audits arranged by our customers and complied with their stringent selection requirements.

Production Plant

As at the Latest Practicable Date, we had two self-owned production plants, namely Yichun Production Plant with a total site area of approximately 81,169.2 sq.m., which houses mainly our production base, and Yiwu Production Plant with a total site area of approximately 20,019.1 sq.m., which houses our other production base, our sales department and our research and development department.

COMPETITIVE STRENGTHS

We believe that our success and potential for future growth are attributable to the following competitive strengths:

Long term business relationships with our customers and our ability to attract new customers through quality products and value-added services

We believe cultivation and maintenance of customer loyalty is crucial to our continued success. We maintain long term business relationships with our customers from over 30 countries and regions around the globe. As at the Latest Practicable Date, our top five customers had in average over seven years of business relationships with us. As a long-standing pick of our international customers, which include designated licensees of a globally renowned outdoor theme park chain originated in the US, proprietors or licensees of popular animation characters and notable brands and department stores, we believe we are well-equipped with a number of highly-competitive qualities which include good quality control, flexibility in designs, competitive pricing and short lead times.

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Being an approved manufacturer for a globally renowned outdoor theme park chain originated in the US, we are well-versed in meeting stringent international quality standards over exported products concerning such areas as corporate social responsibilities, environmental and safety concerns as well as technological and production management. Attributed to our quality control system, we were not only able to secure production authorisation from the globally renowned outdoor theme park chain originated in the US for over nine consecutive years since 2006, but were also endorsed by the European Union BSCI Corporate Social Responsibility Certification. In obtaining the relevant authorisations for production of the products of the globally renowned outdoor theme park chain on CMS basis, we had to go through factory audits conducted directly by the said outdoor theme park chain and arranged by our customers. Our customers in this respect refer mainly to the licensed vendors of the products of the said outdoor theme park chain. Upon passage of the factory audits, our customers would obtain a three-year “Facility and Merchandise Authorisation” (the “**Authorisation**”) from the said outdoor theme park chain which explicitly specify (i) that our production facilities are authorised to manufacture the specified products in the Authorisation; and (ii) other such specifications regarding the authorised products as their brands and logos and the territories in which these products can be sold. During the Track Record Period, we were authorised to manufacture products for this outdoor theme park chain pursuant to Authorisations issued to three licensed vendors.

Our ability to provide full-fledged value-added services is another important quality that effectively sustain our long-standing relationships with our customers. We believe that by consistently providing our customers with high quality products and services, we have and will continue to win the trust of our customers, and are well positioned to develop new relationships with prospective customers in pursuit of our growth strategy. We believe our customers are adequately incentivised to stay with us as opposed to turning to our competitors as long as we continue to satisfy them with our quality products and services.

Our ability to offer comprehensive product development and manufacturing solutions

Our ability to provide full-fledged value-added solutions to our CMS customers is one of our key strengths that sets us apart from the majority of market competitors, which primarily operate as OEM manufacturers.

Under our CMS business model, we provide our customers with value-added solutions and intelligent input across different stages of product development including research and development, production planning, procurement of raw materials and production. Our industry expertise and production capabilities enable us to offer our CMS customers with manufacturing solutions, which include but are not limited to product development, innovation and diversification, production efficiency as well as packaging, at competitive prices.

As most animation derivatives originate from animations as well as popular images, timely access to the latest market trends and development and prompt response to rapidly changing trends and consumer preferences will be important to our long-standing market presence and

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competitiveness. Our control across different stages of product development helps enhance production efficiency and enables cost saving and quality control of our products. Our ability to provide comprehensive, intelligent and efficient services is one of our most important qualities.

Our comprehensive service platform is well-supported by the extensive experience of our management in meeting stringent requirements of a large number of internationally renowned customers and in managing our self-owned brands, along with our scalable and flexible production capacities and the benefit of economies of scale by bulk purchase of raw materials from suppliers. Our flexible production capacities, for instance, are capable of handling orders of vastly varying sizes from 600 pieces to more than 500,000 pieces.

According to the CRI Report, the present PRC cosplay costumes, cosplay wigs and sexy lingerie markets are characterised by a general lack of scalable, focused and highly innovative enterprises. Hence, with our scalable and flexible production capacities, we believe we are one of the few manufacturing solution providers in the PRC which is well prepared for further expansion in the animation derivative industry and sexy lingerie industry.

Our strong research and development capabilities

We believe our success is attributable to, among others, our strong research and development capabilities which enable us to continuously introduce high-quality new products and enhance our productivity. As at the Latest Practicable Date, we were supported by a dedicated team of 63 full-time research and development staff members and two consultants who have extensive experience in the animation derivative industry and garment industry. Our research and development department is well-equipped with creative capacities, experienced talents and advanced technologies, and can swiftly identify and respond to fast-evolving trends and rapidly changing consumer preferences. Our creative talents are capable not only of turning CMS customers' initial ideas and concepts into producible and marketable products, but also of creating and developing our OBM cosplay products and sexy lingerie.

Up to and including the Latest Practicable Date, we had obtained two invention patents, twelve utility model patents and five design patents in the PRC with respect to the enhancement of production efficiency and product quality. We focus mainly on the development of patented technologies concerning the production of our products. They include (i) hair strip weaving method and hair strip weaving device for ensuring consistent and good quality of wigs; (ii) hair connection device, hair tying strip and hair connection methods for the avoidance of damages to natural hair during the hair extension process; (iii) hot-pressing shaper for styling effect enhancement via heat pressure; (iv) wig reforming machine for styling wigs into different shapes; (v) efficient energy-saving dryer for preventing inconsistent product quality due to weather changes; (vi) buckling machine for the strengthening of styling effects of wigs; (vii) wig that is easier to produce at lower costs; (viii) comb device for enhancing efficiency of the hair cutting and trimming procedures; (ix) prism-shaped wig cap for the acceleration of the wig production process; (x) grafting type wig sheath for fixation of synthetic fibres through grafting; (xi) antibacterial wig made of antibacterial synthetic fibres; and (xii) body shaping wear with the function of body sculpting and shaping. We are in a continual process of developing new patented

BUSINESS

technologies and improving on our existing patented technologies. After the Track Record Period and up to the Latest Practicable Date, we have obtained two more utility model patents and five new design patents. For further details of the newly obtained patents, please refer to the paragraph headed “Business — Research and Development” in this prospectus.

To maintain and further strengthen our research and development capabilities, we adopted policies such as (i) staff incentive schemes to encourage product innovation; (ii) talent cultivation; (iii) talent recruitment and retention; and (iv) collaboration with universities and colleges on the research and development of patented technologies. Please refer to the paragraph headed “Business — Research and Development” in this prospectus for further details of the abovementioned policies.

Development of our own brands to capture the growing domestic market

The current PRC cosplay costumes, cosplay wigs and sexy lingerie markets are mainly populated by export-focused manufacturers, who place their focus mainly on the overseas market leaving the fast-growing domestic market largely under-explored. Our Directors take the view that further development of the domestic market will be key to the growth of our OBM business in the forthcoming years. In particular, we will focus on the development of our e-commerce business in the PRC with respect to our OBM business. In March 2015, we were recognised as the 2014 Yichun City E-commerce Demonstration Enterprise* (2014年度宜春市電子商務示範企業) by Yichun City Service Industry Development Office* (宜春市服務業發展辦公室). We believe that focusing on growing our OBM business will help further differentiate our Group from our competitors in the PRC.

According to the CRI Report, we were (i) the largest manufacturer of cosplay wigs; (ii) the third largest manufacturer of cosplay costumes; and (iii) the second largest manufacturer of sexy lingerie, in the PRC in terms of revenue in 2014. Although approximately 96.6%, 98.3%, 98.4% and 96.9% of our revenue, respectively, was generated from sales to overseas customers during the Track Record Period, we believe that by expanding the domestic sales of our OBM products, particularly sales targeted at end-customers, we will be able to strengthen our presence in a rapidly expanding and consolidating domestic market.

We expect the growth of the PRC economy to continue to drive up consumers’ purchasing power and demand for such animation derivative products as cosplay costumes and cosplay wigs and for sexy lingerie. According to the CRI Report, the cosplay costumes, cosplay wigs and sexy lingerie markets in the PRC grew at a CAGR of approximately 21.5%, 15.4% and 15.5%, respectively, from 2010 to 2014 and will further grow at a CAGR of approximately 20.0%, 20.0% and 25.0%, respectively, from 2015 to 2019 in terms of revenue. We believe that we are well positioned to capture a significant share in the growing PRC market of cosplay costumes, cosplay wigs and sexy lingerie by further developing our OBM business.

Large scale production facilities strategically located in Yiwu City and Yichun City

Our self-owned production plants are strategically located in two locations, namely Yiwu City of Zhejiang Province and Yichun City of Jiangxi Province.

BUSINESS

We chose Yiwu City as our research and development centre, sourcing base and marketing centre because Yiwu City is the largest market for small commodities in the world, which attracts a large number of international and domestic customers to visit the region for product sourcing. On the other hand, Yiwu City and its peripheral areas have a plethora of suppliers which allow us to source a wide variety of raw materials at relatively stable prices and favorable terms. The abundance of suppliers in Yiwu City also allows us to compare the price of products offered by different suppliers. The geographical location of our Yiwu Production Plant enables us to achieve economies of scale through bulk procurement of raw materials. Our immediate access to different kinds of raw materials also allows us to shorten the lead time for the development of new products.

We chose to establish another production base in Yichun City as it is one of the most cost effective locations for product manufacturing taking into account the abundant supply of skilled labour in Yichun City.

Our production plants are equipped with well-maintained equipment and machineries as well as a number of self-developed production techniques that enhance our production efficiency and product quality. Our geographical diversification provides us with the flexibility in allocating production tasks to achieve better utilisation of our resources.

As at the Latest Practicable Date, our Yiwu Production Plant and Yichun Production Plant were run and supported by 541 and 1,334 staffs respectively, contributing to our sustained ability to deliver quality products and services and constantly improve our capacities on all fronts.

Experienced management team with a proven track record and a pool of skilled workforce

Our core management team is led by our founder and Chairman, Mr. Chen, who has over 20 years of experience in the development, manufacturing and sales of party-related products. Such experience has enhanced his knowledge and understanding of the cosplay costumes and cosplay wigs markets. Our management team is also equipped with a wide range of international experience and professional expertise in such areas as research and development, product design, business development, management and finance. Mr. Lin, our executive Director, has more than eight years of experience in the animation derivative industry and has extensive experience in the sales and trading of cosplay costumes, cosplay wigs, sexy lingerie and party-related accessories. Mr. Xiong Tie Jun (熊鐵軍), our vice general manager, has more than 14 years of experience in management and more than five years of experience with our team in the management of materials sourcing, production planning as well as product delivery.

We believe our in-depth knowledge and extensive experience in both the international and domestic markets, together with our established customer base, serve as the fundamental pillars of our success in the animation derivative industry and the sexy lingerie industry.

BUSINESS

BUSINESS STRATEGIES

We plan to (i) maintain and reinforce our position as one of the leading manufacturing solution providers that design, develop, produce, sell and market cosplay products and non-cosplay products (our non-cosplay products include mainly sexy lingerie); and (ii) increase our market share in existing overseas markets and the PRC domestic market by adopting the following business strategies:

Further strengthen our research and development capabilities

Our capabilities in developing innovative products, high sensitivity to market trends and developments and prompt response to rapidly changing consumer preferences are critical to our success in the intensely competitive animation derivative industry and sexy lingerie industry. We consider our research and development capabilities, our design expertise as well as our ability to produce high quality products and develop our own brands as vital ingredients to our continual success. In order to further enhance our capabilities on all fronts, we plan to:

- strengthen our research and development facility at our new Yiwu Production Plant by developing a research and development centre and recruiting more designers and talents to our research and development department;
- continue to improve our research and development capacities on the dual fronts of (i) product quality, design and diversity, for instance, by tapping into the latest trends and technological advances (e.g. application of such technologies as LED lighting, antibacterial materials and body shaping designs to our cosplay products); and (ii) production efficiency;
- strive to grow further along the animation value chain and explore opportunities to develop other types of animation-related products such as original animated contents when our resources allow;
- strengthen our collaboration with universities and colleges in the PRC to develop new production technologies and recruit more talented graduates to our Group; and
- constantly upgrade our production techniques to reduce production costs and improve product quality.

Broaden our customer base by expanding our OBM business in the PRC market

We intend to further capitalise on the growth potentials in the PRC cosplay product market and sexy lingerie market, taking into account such factors as (i) favorable PRC Government policies on accelerating the growth of the animation, creative and cultural industries at both the national and the regional levels; and (ii) favorable demographics and cultural factors which continue to foster domestic demand for cosplay and party products. For instance, Western festivals such as Halloween and Christmas are becoming increasingly appealing to PRC consumers. According to the CRI Report, the markets of cosplay costumes, cosplay wigs and sexy lingerie in the PRC will continue to grow with a CAGR of approximately 20.0%, 20.0% and 25.0%, respectively, from 2015 to 2019 in terms of revenue.

BUSINESS

In light of the above, we plan to further boost domestic sales and expand our OBM business by developing an e-commerce operation centre and a service and experience centre at our Yiwu Production Plant and consider adopting the following strategies:

- (i) launching marketing campaigns, organising cosplay-related events and performances targeted directly at end-customers and offering first-hand costume fitting experience at our service and experience centre;
- (ii) initiating and facilitating group exchanges on social media platforms and via mobile applications such as Sina Weibo and WeChat; and
- (iii) launching more direct sales channels including e-shops operated by us, e-shops on online platforms operated by Independent Third Parties, physical shops at our service and experience centre as well as shops that we will open in first tier cities in the PRC.

In order to expand our OBM business in the PRC market, in particular sales via our e-shops and internet platforms, we intend to set up an e-commerce operation centre specifically for the management of domestic online sales orders. We will deploy staff to, amongst others, liaise with our customers, follow up with customers' orders, operate and maintain our e-shops and handle enquiries from potential customers visiting our e-shops.

Construction of new premises at Yiwu Production Plant

The above-mentioned research and development centre, e-commerce operation centre and service and experience centre are to be located in the new premises at the Yiwu Production Plant. The construction of the new premises is expected to commence during the fourth quarter of 2015. The breakdown of the estimated cost of which is set out below:

	Research and development centre <i>(approximately)</i> <i>HK\$'000</i>	E-commerce operation centre and service and experience centre <i>(approximately)</i> <i>HK\$'000</i>	Total <i>(approximately)</i> <i>HK\$'000</i>
Construction cost	31,000	58,000	89,000
Machinery and equipment cost	23,900	—	23,900
Fixed assets investment	—	5,000	5,000
Marketing (including brand promotion)	—	4,000	4,000
Total	<u>54,900</u>	<u>67,000</u>	<u>121,900</u>

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Research and development centre

The total cost of the construction and setting up of the research and development centre at the Yiwu Production Plant is estimated at approximately HK\$54.9 million and the operating cost of the research and development centre is estimated at approximately HK\$1.2 million per annum, which is composed mainly of staff costs. The establishment and operations of the research and development centre shall be funded partially with the proceeds from the Global Offering and partially with our internal resources. The annual depreciation expense of the research and development centre will be approximately HK\$3.1 million, and is calculated by applying straight line depreciation method where the total costs of buildings and machineries are divided by their respective useful life in terms of years (35 years for buildings and 10 years for machineries). The gross floor area of the research and development centre will be approximately 7,000 sq.m. Upon completion of the construction work, our research and development department will be relocated to the research and development centre and by that time, we intend to recruit an addition of ten research and development staff members. Apart from developing cosplay costumes and cosplay wigs, our research and development centre will be equipped with facilities for the development of such other cosplay products and accessories as cosplay masks, belts and cosplay props.

E-commerce operation centre and Service and experience centre

The total cost of the construction and setting up of an e-commerce operation centre and a service and experience centre at the Yiwu Production Plant is estimated at approximately HK\$67.0 million and their operation cost per annum is estimated at approximately HK\$13.5 million, of which approximately HK\$10.0 million will be used for the production of related products, approximately HK\$1.5 million for staff cost, approximately HK\$1.0 million for daily operation and approximately HK\$1.0 million as reserve. The source of funding shall be partially the proceeds from the Global Offering and partially our internal resources. The annual depreciation expenses of the e-commerce operation centre and service and experience centre will be approximately HK\$2.5 million, and is calculated by applying straight line depreciation method where the total costs of buildings and machineries are divided by their respective useful life in terms of years (35 years for buildings and 5 years for machineries).

The gross floor area of our service and experience centre will be approximately 8,000 sq.m. The centre will include mainly (i) the venue for our end-customers to acquire first-hand experience in cosplaying using our OBM products under the unique setting of our experience centre; and (ii) a cafe and other leisure facilities. Our service and experience centre will also provide a series of ancillary cosplaying services such as costuming, photography and video shooting.

The gross floor area of our e-commerce centre will be approximately 5,000 sq.m., of which approximately 2,000 sq.m. will be used for operation and 3,000 sq.m for the storage of stock and inventory. We intend to recruit up to 30 staff members for both the e-commerce operation centre and service and experience centre at the Yiwu Production Plant once the construction of which has been completed.

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The estimated cost will be financed by the proceeds from the Global Offering, our internally generated cash flows and bank borrowings.

Implementation	2015				2016			
	Quarter							
	1st	2nd	3rd	4th	1st	2nd	3rd	4th
Feasibility study (<i>Note 1</i>)		_____						
Preliminary design (<i>Note 1</i>)			_____					
Construction design (<i>Note 1</i>)			_____					
Civil construction				_____				
Installation of machinery and equipment						_____		
Training							_____	
Completion								_____

Note 1: The construction land planning permit, construction works planning permit and construction works commencement permit will be applied for and obtained for the construction and building of a research and development center, an e-commerce operation center and a service and experience center of our Group on the land. Our service and experience centre will provide a venue for our end-customers to acquire first-hand experience in cosplaying using our OBM products under the unique setting of our experience centre, and will also provide a series of ancillary services, such as costuming, photography, video and café etc.

Our Directors believe that strengthening our OBM business is crucial to the securing of our market position in the PRC. We believe that some of our brands such as “*Styler*” and “*Secret Temptations*”, with the help of the above-mentioned strategies, have been established as considerably reputable brands amongst the PRC cosplay products and sexy lingerie markets. As such, we will continue to promote these brands. In the future, we will also further promote the brand “*WithCity*” through online sale on the “*WithCity*” e-shops.

Increase market share of our products in the overseas markets

During the Track Record Period, we sold a majority of our products to overseas customers under the CMS business model. We believe stable growth of our CMS business is of utmost importance to our continued success. To this end, we will continue to (i) provide a comprehensive range of quality products to strengthen our relationships with our existing CMS customers; and (ii) attract new CMS customers through the offering of new products and improvement of our current products. In order to minimise any potential competition between our CMS business and our OBM business in the future, we will promote our OBM business in markets where we do not have significant CMS market presence.

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Leveraging effectively on our long-standing relationships with some of our overseas customers, we plan to (i) form potential strategic partnership with local cosplay product trading companies and proprietors or designated licensees of animation characters in different overseas markets; and (ii) secure exclusive regional licensee rights for the production of cosplay products related to notable animation characters that would enable our Group to develop extra lines of retail business under notable and popular international brand names and thus further expand our presence in our overseas markets.

Considering the scale and the growth potentials of such overseas markets such as Japan, we plan to expand further into these markets by exploring potential collaborative opportunities with reputable regional players. As a start to our expansion plan in Japan, we entered into a Brand Promotion Cooperation Framework Agreement* (品牌推廣合作框架協議) (the “Framework Agreement”) with Garaku on 27 June 2015. Pursuant to the Framework Agreement, Jiangxi Styler and Garaku had authorised each other to mention the other party as its marketing co-operative partner on any of its sales platform or promotional material for marketing purposes. For further information in respect of the Framework Agreement, please refer to the paragraph headed “Business — Business Model — Our Business Models — OBM Business” in this prospectus.

Enhance our production capacities

We believe that by expanding our production capacity, we will be able to better control our production and respond to market trends more quickly. Our Directors believe that the growth of the PRC economy will drive local consumers’ purchasing power and this is likely to proliferate the popularity of animation characters whereby the demand for cosplay costumes and cosplay wigs imitating these animation characters will be driven up correspondingly. We believe manufacturers with sufficient production capacity will be able to enjoy economies of scale and compete successfully in the expanding market.

During the Track Record Period, apart from our Yichun Production Plant, we had leased two properties in Yiwu City from Independent Third Parties as our production facilities, office and dormitory. The two leased properties together had a gross floor area of approximately 12,608.75 sq. m.

In order to expand our production capacity and facilitate long term business development, we relocated our production facilities in Yiwu City to a larger self-owned Yiwu Production Plant. In February 2015, all of our operations in the leased production facilities in Yiwu City ceased completely and we commenced our operation at the new Yiwu Production Plant with all the machineries and equipment previously used in the leased production facilities in Yiwu City.

As of the Latest Practicable Date, we owned two production plants, namely Yichun Production Plant and Yiwu Production Plant, which together has a total site area of approximately 101,188.3 sq.m.. During the Track Record Period, the utilisation rate of our production facilities at our Yichun Production Plant and Yiwu Production Plant (including the production facilities in our leased production plant in Yiwu City before we moved into the current Yiwu Production Plant in February 2015) in aggregate for the production of our products was approximately 94.2%,

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98.3%, 96.1% and 93.2%, calculated based on the assumption of 330 days per year and 10 working hours per day, the average number of units produced and the estimated average production time per unit. Although we can increase our production capacity by (i) upgrading our machineries and equipment to further increase the level of automation and improve our production efficiency; and (ii) if necessary, having two shifts of 20 working hours per day instead of one shift of 10 hours per day, we understand that these are only temporary measures. Hence, to cope with our plans to expand on the various fronts of brands and product variety and to increase our production capacity in the long run, we (i) plan to purchase new machineries for our Yiwu Production Plant; and (ii) are currently in the process of constructing two new factory buildings at the Yichun Production Plant.

The construction of the new factory at our Yichun Production Plant

(i) *The estimated cost for the construction of the new factory*

	Total <i>(approximately)</i> HK\$'000
Construction cost	57,100
Machinery and equipment cost	31,200
Fixed assets investment	1,500
 Total	 89,800

The estimated cost will be financed by the proceeds from the Global Offering, our internally generated cash flows and bank borrowings.

(ii) *The timetable of the construction of the new factory*

	2015				2016			
	Quarter							
	1st	2nd	3rd	4th	1st	2nd	3rd	4th
Implementation								
Feasibility study (<i>Note 1</i>)			—					
Preliminary design (<i>Note 1</i>)			—					
Construction design (<i>Note 1</i>)				—				
Civil construction					—			
Installation of machineries and equipment (<i>Note 2</i>)								—
Training and trial production (<i>Note 3</i>)								—
Completion								—

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Notes:

1. The construction land planning permit, construction works planning permit and construction works commencement permit will be applied for and obtained for the construction and building of production factory of our Group on the land and can be obtained by the 3rd quarter of 2015.
2. It is expected that machineries and equipment amounting to approximately HK\$31.2 million will be installed for the production of wigs and clothing (including cosplay costumes and sexy lingerie).
3. It is expected that additional production labour will be recruited and trained for the new production plant.

(iii) Completion of our new factory

According to the preliminary construction plan of the new factory, it would have two blocks and there will be five storeys in each block. As such, the total site area of the new factory will be approximately 4,150 sq. m. while the gross floor area will be approximately 20,000 sq. m. It is our plan that after the completion of the construction and commencement of full operation of the new factory, we will recruit 900 and 610 workers respectively for the production of clothing and wigs at the new factory.

The increase in the annual production capacity is calculated based on the assumptions that (a) the new factory will be in operation for 330 days per year and 8 working hours per day; (b) we will recruit 900 and 610 workers respectively for the production of clothing and wigs at the new factory; and (c) the respective average production time of clothing and wigs is approximately 1,900 seconds per unit and 450 seconds per unit. Our total annual production capacity for each of cosplay wigs and clothing is expected to increase by approximately 13 million units and 4.5 million units respectively. As a result of this expansion plan, we expect our revenue to also increase correspondingly.

If our production capacities can be enhanced, we can develop and produce a wider range of products and explore further into new product categories.

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OUR BUSINESS MODELS

We design, develop, produce, sell and market cosplay products (including cosplay costumes and cosplay wigs) and non-cosplay apparels including mainly sexy lingerie. During the Track Record Period, products manufactured by us were sold mainly to our customers on an export basis mainly to developed countries, such as the U.S., Germany, U.K. and Australia. Our export sales accounted for approximately 96.6%, 98.3%, 98.4% and 96.9% of our revenue respectively. During the Track Record Period, we sold a portion of our products to the PRC market, which accounted for approximately 3.4%, 1.7%, 1.6% and 3.1% of our revenue respectively.

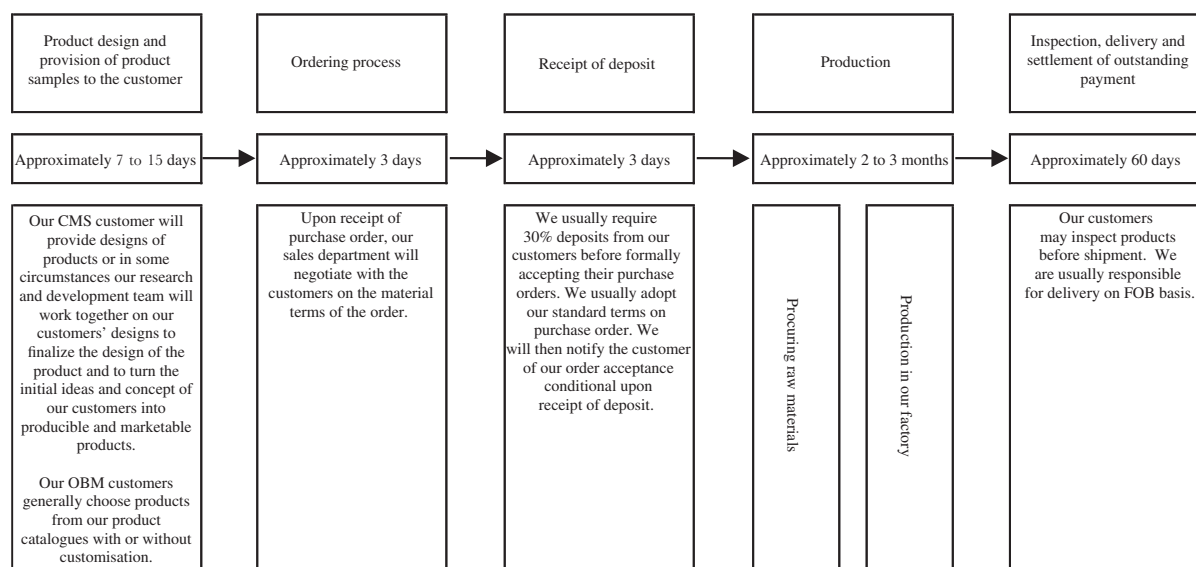
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Our business can be broadly divided into two major categories, namely CMS business and OBM business. The comprehensive service platform on which our CMS and OBM businesses are operated is well supported at every stage of the production of our products and the provision of our services. Our CMS business involves the manufacturing, sales and delivery of products based on customer specifications and guidelines or our in-house creative and technological capacities which help turn our CMS customers' initial ideas and concepts into producible and marketable products. The products are sold under the brands of our CMS customers or the brands of their ultimate customers. Our OBM business is a step further from our CMS business, which involves the development, production, management and marketing of our own branded products with rigorous input in such areas as product planning, brand management and marketing.

Set out below is the breakdown of our Group's revenue by business category:

	For the year ended 31 December				For the three months ended 31 March 2015			
	2012		2013		2014		2015	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
CMS business	194,249	79.0	231,888	77.6	324,588	81.6	71,709	73.6
OBM business	51,576	21.0	66,864	22.4	73,335	18.4	25,684	26.4
Total	245,825	100.0	298,752	100.0	397,923	100.0	97,393	100.0

The following diagram illustrates our current CMS and OBM business model:



CMS Business

Our CMS business, which is currently our primary source of revenue, forms the basis on which our OBM business is developed.

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Most of our CMS customers are overseas customers including mainly (i) designated licensees of a globally renowned outdoor theme park chain originated in the United States; (ii) proprietors and licensees of popular animation characters in North America, Europe, Japan and Australia; and (iii) notable brands and department stores operating mainly in North America, Germany, the UK and Australia. During the Track Record Period, revenue derived from our customers who are proprietors or licensees of animation characters contributed to our total revenue growth by approximately RMB94.8 million, RMB125.5 million, RMB174.8 million and RMB52.2 million respectively, and accounted for approximately 38.6%, 42.0%, 43.9% and 53.6% of our total revenue respectively. We generally sell our CMS products to our CMS customers on the basis of individual purchase orders and thus we do not have long-term purchase commitments with our CMS customers.

Under our CMS business model, we manufacture products based on either (i) the design and specifications provided by our CMS customers; or (ii) their initial ideas and concepts (with input from our research and development department to finalise the specifications and designs). Some CMS customers may present their ideas and work alongside with our research and development department to turn their initial ideas and concepts into producible and marketable product. Depending on the specifications provided by our CMS customers, our research and development department together with our sales team would also provide suggestions to our CMS customers on the modifications of given designs and specifications for the purpose of, among others, cost saving, efficiency enhancement or design enhancement purposes. Based on the designs approved by our CMS customers, we will select and procure the necessary raw materials for production. In some cases, we would subcontract the production of certain products (excluding labelling and packaging of such products) to third-party subcontractors in order to reduce our workload. For details of the subcontracting arrangements, please see the paragraph headed “Business — Our Production Facilities — Subcontracting” in this prospectus. We are also responsible for the co-ordination of product delivery to our CMS customers.

Leveraging on our experience and expertise in providing CMS services and with the objective to further consolidate our customer base, we gradually expanded into the provision of full-fledged value-added solutions to our CMS customers across various stages of product development including research and development, production planning, sourcing and procurement of raw materials and production. In order to provide tailor-made services to our CMS customers, our involvement in each of the aforesaid stages may vary from order to order.

Our CMS business model has to be well-supported by a pool of experienced in-house research and development talents, our ability to develop new production technologies and our extensive reach across the supply chain. We would prioritise and devote more of our research and development resources into the development of products with higher profit margin. Our ability to produce value-added solutions to our CMS customers differentiates us from the majority of the market’s OEM manufacturers currently operating in the PRC.

To secure and maintain long term business relationships with our CMS customers, we constantly improve our product quality and designs to meet their stringent quality requirements. We have been awarded a considerable number of internationally recognised certifications including ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007. Our ability to cope with

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diversified and stringent requirements of our CMS customers in all such aspects as the procurement of raw materials, the manufacturing process, methods of production, packaging, quality inspection and the delivery of the finished products would be the key to our survival and growth in the animation derivative industry and sexy lingerie industry.

Our revenue derived from our CMS business for the three years ended 31 December 2014 and the three months ended 31 March 2015 amounted to approximately RMB194.2 million, RMB231.9 million, RMB324.6 million and RMB71.7 million, which accounted for approximately 79.0%, 77.6%, 81.6% and 73.6% of our revenue respectively. The gross profit margin of our CMS business remained steady during the Track Record Period. For the three years ended 31 December 2014 and for the three months ended 31 March 2015, the gross profit margin for our CMS business was approximately 25.7%, 26.4%, 27.7% and 26.5% respectively. During the Track Record Period, we sold a majority of our CMS products to overseas customers in such developed markets as the U.S., Germany, U.K. and Australia as well as such developing markets as South America, Russia and South Africa.

As at the Latest Practicable Date, we had over 200 CMS customers around the globe, many of which are internationally renowned brand names and our long-term customers. During the Track Record Period, our major CMS customers included but were not limited to R.H. Smith & Sons (Wigmakers) Ltd., Spencer Gifts, LLC, Lovin Enterprises Inc., Leg Avenue, Inc., Elope, Inc., Widmann S.R.L. and Easter Unlimited, Inc..

OBM Business

Leveraging on our knowledge and market resources accumulated through years of experience in providing CMS services, we started to develop our own branded products in 2008 targeting at both the overseas and domestic markets. Our OBM business model involves the establishment and management of our self-owned brands and the research and development, production, marketing, sales and delivery of cosplay costumes, cosplay wigs and other products under our own brands. We regard the development of self-owned brands not only as our largest future growth drivers, but also a feature that differentiate us from our competitors in the PRC, and most importantly, a business model by which we can capture and utilise opportunities brought forth in a fast-growing, consolidating market of animations and animation by-products.

Under our OBM business model, products are sold mainly under our own brands including “*Styler*”, “*Party Time*” and “*Secret Temptations*” and we are responsible for the design, research and development of our own branded products. As we were authorised to use the brand of “*WithCity*” as licensee for the sale of our OBM products in the “*WithCity*” e-shops since October 2014, we started developing our OBM products under the brand of “*WithCity*” for sale solely through the “*WithCity*” e-shops and commenced sale in December 2014. We acquired the trademark of “*WithCity*” from its owner, who was an Independent Third Party, in April 2015 at a price of RMB500,000. As at the Latest Practicable Date, the updating of the registration of such trademark under our name with the Trademark Office of SAIC was still under way and was

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expected to be completed by January 2016. Our PRC Legal Advisers confirmed that although the registration of the “*WithCity*” trademark under our name has not yet been completed, Jiangxi Styler has the exclusive right to use the “*WithCity*” trademark pending the completion of the registration of the said trademark under our name.

All of our own-branded products are produced in-house although we may source the ancillary accessories from third party manufacturers. Our OBM customers can choose from our product catalogues and may demand customisation according to their specific needs and requirements. We will create a pilot product based on the designs for initial customer review and internal quality review. Upon review and management approval of product designs, we will commence mass production and go through the same production planning and production procedures as in the CMS business model.

We currently own a total of seven brands that are related to our business, which are registered under different trademarks in different classes, with three of them being actively in use, which are the followings:

Brand	Trademark	Product genre
<i>Party Time</i>		comprehensive brand of party and animation derivatives products
<i>Secret Temptations</i>		sexy lingerie
<i>Styler</i>		wigs

We had acquired the following trademark and the updating of registration of which under our name with the Trademark Office of SAIC was expected to be completed by January 2016:

Brand	Trademark	Product genre
<i>WithCity</i> *	<i>withcity</i>	cosplay costumes and sexy lingerie

* We started developing OBM products through the brand of “*WithCity*” for sale online through the “*WithCity*” e-shops since October 2014 and the sale of such products commenced in December 2014.

Supported by an expanding research and development department and advancement in production technology and quality control, we plan to further expand our OBM business in the future.

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Our revenue from OBM business for the three years ended 31 December 2014 and the three months ended 31 March 2015 amounted to approximately RMB51.6 million, RMB66.9 million, RMB73.3 million and RMB25.7 million, accounting for approximately 21.0%, 22.4%, 18.4% and 26.4% of our revenue respectively. The gross profit margin of our OBM business could be sustained during the Track Record Period. For the three years ended 31 December 2014 and the three months ended 31 March 2015, the gross profit margin for our OBM business was approximately 26.8%, 27.6%, 28.4% and 31.2% respectively.

The following table shows the revenue of our respective overseas OBM sales and domestic OBM sales for each of the three years ended 31 December 2014 and the three months ended 31 March 2015:

	For the year ended		For the three	
	31 December		months ended	
	2012	2013	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Overseas	51,495	66,774	73,099	23,688
Domestic				
Online sales	—	—	231	1,965
Other	81	90	5	31
Total	<u>51,576</u>	<u>66,864</u>	<u>73,335</u>	<u>25,684</u>

As concerns the sale of our OBM products in the PRC, from late 2014 onwards, we started to focus on online domestic sales conducted via the “*WithCity*” e-shops by selling OBM products under the brand of “*WithCity*”. We used to sell our OBM products to Independent Third Party trading companies, corporations and end customers in the past but had shifted to focus on online domestic sales channels as direct sales to end-customers in the PRC will be our primary means to achieving our domestic OBM sales target in the future. These e-shops are accessible and searchable by our end customers in the PRC. Our products under the brand of “*WithCity*” are displayed and sold exclusively via the “*WithCity*” e-shops to domestic customers in the PRC. As such, we had not yet offered any OBM products under our own brands of “*Party Time*”, “*Secret Temptations*” or “*Styler*” to our domestic customers through the “*WithCity*” e-shops as we intended to use the brand of “*WithCity*” as a starting point for the online sale of our OBM products and to distinguish our OBM products to be sold to end customers online in the PRC from those to be sold through other sales channels. Upon receipt of online orders, we will arrange for product delivery through external logistics companies, and customers who receive and accept our deliverables would be asked to acknowledge receipt thereof. For every online transaction via 天貓 TMALL.COM (“www.tmall.com”) and 京東 JD.com (“www.jd.com”), we would charge a

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transaction fee ranging from 5% to 8% of the transaction amount, which will be deducted directly from the transacted amount. The amount of transaction fee paid by us for the years ended 31 December 2012, 2013 and 2014 and for the three months ended 31 March 2015 amounted to nil, nil, approximately RMB21,000 and RMB145,000, respectively.

In order to further promote our OBM products and put our verbal cooperation arrangement with Garaku into writing, Jiangxi Styler entered into the Framework Agreement with Garaku on 27 June 2015. Garaku is a Japanese cosplay company established in February 2004 selling a wide range of cosplay products including costumes and accessories associated with animation characters and products with festive and party themes in Japan to retail chains in Japan. Garaku is also engaged in the design and development of cosplay products and the organisation of cosplay expos which showcase their new designs and promote awareness of the cosplay culture in Japan. In view of Garaku's long established reputation in the cosplay product market in Japan, our Directors are of the view that our Group will benefit from being a marketing co-operative partner of Garaku as it will help promote our brands in the PRC and Japan. Garaku owns four brands, namely "*Be With*", "*A&T COLLECTION*", "*ALO*" and "*AKIBA TOKYO COLLECTION*".

Pursuant to the Framework Agreement, we were authorised to display Garaku's brands via the "*WithCity*" e-shops and mention that we are Garaku's marketing co-operative partner on any of our sales platform or in any promotional material for marketing purposes. In return, we authorised Garaku with the right to display Jiangxi Styler's brands and mention that Garaku is Jiangxi Styler's marketing co-operative partner on any of Garaku's sales platform or in any of its promotional materials for marketing purposes. There was no monetary consideration between Jiangxi Styler and Garaku under both the prior verbal cooperation arrangement or the subsequent Framework Agreement. As advised by our PRC Legal Advisers, given that the governing laws of the Framework Agreement is PRC laws, the aforesaid arrangement does not violate the relevant laws and regulations in the PRC and is valid and legally binding under PRC laws. Our PRC Legal Advisers further advised that, notwithstanding that the "*WithCity*" e-shops do not sell any product under the brands owned by Garaku, the mere display of the name and the brands of Garaku on the "*WithCity*" e-shops and stating that Garaku is the Group's marketing co-operative partner for promotional purpose pursuant to the Framework Agreement would not render our Group in violation of any relevant PRC law and regulation.

Our Directors confirmed that during the Track Record Period, our Group had not manufactured or supplied any product directly to Garaku nor did Garaku manufacture any product for us. However, we had manufactured and supplied our CMS cosplay costumes products under a brand owned by Garaku to a trading company in Japan, namely Souensya K.K ("*Souensya*"), which in turn resold the products to Garaku. During the Track Record Period, our sales to Souensya accounted for nil, nil, approximately 0.49% and 0.55% of our revenue, respectively.

In respect of the abovementioned resale arrangement, as Garaku is engaged mainly in the design, development and sale of cosplay products to chain stores in Japan without involving itself in negotiations with the manufacturers of the cosplay products, and that Souensya is engaged

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mainly in both the importing and exporting of cosplay products in Japan for corporations with Garaku, there is a clear division of labour between Souensya and Garaku. Hence, our Directors reasonably conclude that the resale arrangement between the Group, Souensya and Garaku is commercially necessary and viable and there should not be any irregularities with respect to such resale arrangement.

Besides, it is subsequently noted that while the contents of the website of the “*WithCity*” e-shops published certain representations stating that certain products under the brands including “*Secret Temptations*” were owned by Garaku, these products were actually owned by our Group instead. Hence, these online representations were not accurate (the “Inaccurate Representations”). The Directors believed that the Inaccurate Representations took place due to miscommunication between our marketing staff and the external service provider engaged by our Group. The relevant contents of the website of the “*WithCity*” e-shops had been duly rectified in or around late June 2015.

As advised by our PRC Legal Advisers, according to the Consumer Protection Law in the PRC, consumers must be provided with authentic information concerning the quality and usage of the commodities or services provided to them without false or misleading information, and if a merchant provides inaccurate information under fraudulent intent or manner in the course of the provision of goods or services to consumers, the merchant may be liable to compensating the consumer with a sum up to three times of the amount paid by the consumer for such goods or services, which in any event shall not be less than RMB500. Based on our Directors’ confirmation, in accordance to the documents in relation to the sale of our products via the “*WithCity*” e-shops during the Track Record Period and the contents of the website of the “*WithCity*” e-shops, (a) the products sold via the “*WithCity*” e-shops were specified to be under the brand “*WithCity*” only since the commencement of operation of the “*WithCity*” e-shops; (b) our Group had never sold any product under the brand of “*Secret Temptations*” or other brands such as “*Party Time*” and “*Styler*” via the “*WithCity*” e-shops during the Track Record Period notwithstanding the Inaccurate Representations; (c) the Inaccurate Representations was the sole major misrepresentation on the website thereof; (d) the Inaccurate Representations had been removed from the websites of the “*WithCity*” e-shops and the contents thereof had been duly rectified; and (e) our Controlling Shareholder, Mr. Chen, had undertaken to indemnify our Group for all such damages and losses suffered by our Group in the event that our Group is held liable for the damages and losses suffered by our customers as a result of the Inaccurate Representations on the “*WithCity*” e-shops. Our PRC Legal Advisers therefore advised that the risk that our Group would be subject to any material liability claim, which will materially and adversely affect our operation, is rather low.

For further details of the above incident, please refer to the section headed “Business — Legal and Compliance — Non-Compliance Matters” in this prospectus.

Overlapping of CMS customers and OBM customers

Whilst our CMS customers include mainly the established players in developed countries, our Directors note that our overseas OBM customers tend to be (i) new entrants to the markets

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of cosplay costumes, cosplay wigs and sexy lingerie who lack established brand names and ready lines of products; and (ii) players operating in markets where our existing CMS customers' presence tends to be relatively insignificant. From 2014 onwards, our OBM business in the domestic market target mostly at end-customers with transactions conducted mainly via online platforms operated by Independent Third Parties.

We have been developing and growing our OBM business parallel to our existing CMS business. For the three years ended 31 December 2014 and the three months ended 31 March 2015, there were one, three, nil and nil customers who were both our CMS customers and OBM customers. Sales generated from these overlapping customers for the corresponding period in both CMS business and OBM business were approximately RMB17,000, RMB139,000, nil and nil respectively. Hence, during the Track Record Period, there were minimal competitions between the two business categories due largely to the size of the cosplay market and the abundant opportunities available therein. We have, nonetheless, adopted a customer differentiation strategy in order to ensure that there will be no significant overlapping of customers between our OBM business and our CMS business to minimise potential competition in the future. Our customer differentiation strategies mainly include:

(i) *Differentiation by the design of our products supplied to different customers*

We use our best endeavours to ensure that our OBM products would not bear the same design of that of our CMS products. If a CMS customer demonstrates interest towards the design of our OBM product, our research and development team will modify the design of such OBM product to the effect that the design supplied to the CMS customer will be easily distinguishable from that of our OBM products. If the CMS customer still desires to order a particular OBM product design from our product catalogue and labels it under its own brand, we will require the customer to purchase the specific design so that such design will be exclusively owned by the CMS customer and the products thereof will be manufactured by us on a CMS basis and we will no longer provide such design to our OBM customers.

(ii) *Differentiation in target customers*

We have adopted a cautious approach in developing our OBM business and seeking new OBM customers. We strive to expand our CMS customer base to proprietors and licensees of popular animation characters and owners of notable brands and department stores. Hence, we would not promote our OBM products to our target CMS customers.

On the other hand, our target OBM customers are (i) overseas customers who are new entrants to the market of cosplay costumes without their own brands; and (ii) end-customers in the PRC via online platforms. As we would not be involved in the sale and marketing activities of our CMS products, we cannot and would not promote our CMS products to any of our OBM customers.

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OUR PRODUCTS

Started in 2004 originally as the supplier and manufacturer of party wigs, we have developed further into the designing and manufacturing of cosplay costumes since 2007 and sexy lingerie since 2010.

Product Categorisation

Our products can generally be categorised into cosplay products and non-cosplay apparels which include mainly sexy lingerie. Our cosplay products include mainly party and animation inspired cosplay costumes and wigs featuring popular characters from animations, comics, cartoons, traditional fairy tales, movies and games, as well as traditional party and festive themes, like World Cup, Halloween and Christmas. These popular characters are owned by Independent Third Parties and we produce the cosplay products with relevant licenses or authorisations. Our non-cosplay apparels, on the other hand, cover mainly sexy lingerie and accessories introduced based either on our own in-house designs or ideas/specifications provided by our customers.

The following table shows the revenue breakdown by products during the Track Record Period:

	For the year ended 31 December						For the three months ended 31 March	
	2012		2013		2014		2015	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Cosplay costumes	106,507	43.3	138,658	46.4	181,128	45.5	54,037	55.5
Cosplay wigs	110,370	44.9	133,924	44.8	179,755	45.2	39,123	40.2
Sexy lingerie	28,199	11.5	24,475	8.2	36,934	9.3	3,601	3.7
Others (<i>Note</i>)	749	0.3	1,695	0.6	106	0.0	632	0.6
Total	<u>245,825</u>	<u>100.0</u>	<u>298,752</u>	<u>100.0</u>	<u>397,923</u>	<u>100.0</u>	<u>97,393</u>	<u>100.0</u>

Note: Others mainly includes accessories, like hair pieces, eyelashes and cosmetic jewelries etc.

Cosplay costumes

Our cosplay costume products take inspirations mainly from animations and traditional, party and festive themes like Halloween and Christmas. Costumes of festive and party themes are targeted mainly at customers in such developed markets as the United States, Germany and U.K. and appeal to a wide range of end-customers from all age groups, whereas our animation-inspired costumes appeal mainly to younger generations and lovers of animations, comics, cartoons, movies and games.

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Cosplay wigs

Our cosplay wig products take inspiration mainly from animations and traditional, party and festive themes such as Halloween and Christmas, and all of them can be regarded as festive products as they could be used for the celebrations of various festivals in Asia and the West.

Traditional and festive themed wigs are usually used by customers in the United States and Europe for festive and party celebration purposes, and have a wide range of end-customers from different age groups. Animation-inspired wigs are designed based mainly on animated characters, movie and gaming characters, celebrities as well as cartoon characters, and are targeted at customers of the younger generations and lovers of animations and cartoons.

We started producing party and cosplay wigs in 2004 as a first step into the animation derivative industry. Today, wig products remain a major part of our products and our competitive areas.

Sexy lingerie

Our sexy lingerie are targeted at customers of the younger generations. Our sexy lingerie are available under both our CMS lines and our self-own brand “*Secret Temptations*”.

Other products

Complementary to our cosplay products and sexy lingerie, we also source, design and produce a wide range of accessories like hair pieces, eyelashes and cosmetic jewelries etc.

The table below sets forth the price ranges of our major products by products category during the Track Record Period:

	Price range
Cosplay costumes	RMB4.3 to RMB598.0
Cosplay wigs	RMB1.5 to RMB136.1
Sexy lingerie	RMB8.7 to RMB156.7

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Development of our new products

Whilst the products we produced for international brands on CMS basis are based mainly on the ideas, designs and specifications provided by our CMS customers and upon their requests, together with our input in turning their initial ideas and concepts into producible and marketable products, our new OBM products would normally undergo all or part of the following processes:

		<u>Approximate processing time</u>
Market and product research	<ul style="list-style-type: none"> Analysing market trends and sales figures Identifying key areas of growing demands Gathering relevant information from such sources as product markets, exhibitions and fashion and celebrity news for new design ideas 	Variable
Product development	<ul style="list-style-type: none"> Preparing a business plan at the beginning of each year Setting a target number of new products expected to be introduced Brainstorming on new series or new products for existing series and work to turn initial ideas and concepts into producible and marketable products Establishing a product development plan Working out a development timetable to guide and coordinate the key tasks as undertaken by respective parties and departments 	3 weeks
Product design	<ul style="list-style-type: none"> Working on the actual design of the new products with reference to prior ideas on such details as themes, styles, materials and colours 	5 days
Feasibility assessment	<ul style="list-style-type: none"> Carrying out assessments in terms of the technical, productive and financial feasibility of the proposed designs Estimating production costs, input-output ratios and projected sales etc. Reviewing and approving the feasibility study by relevant departments Preparing for the production of the pilot products 	1-2 days
Preparation for pilot production	<ul style="list-style-type: none"> Ensuring that all the relevant productive materials, equipment and talents are available Ensuring necessary production techniques are in place 	1 day
Identification and sourcing of production materials	<ul style="list-style-type: none"> Identifying the primary and secondary materials and other decorative components to be used for the production of the new CMS and OBM products Studying the details of the designs and pairing up suitable materials to achieve the intended effects Checking the availability of the identified materials in our storage and considering sourcing from external channels if necessary 	1 week
Pilot production	<ul style="list-style-type: none"> Producing a batch of trial products for cross-checking with the original design to see if the intended effects and qualities are rightly achieved 	2 days
Market testing, product review and estimation of production costs	<ul style="list-style-type: none"> Introducing the approved pilot products to the market for timely feedback on such aspects as market appeal, pricing and potential quality issues that need to be addressed Conducting internal review on the pilot products Approving the final product draft Including the approved products to product catalogues 	2-3 days

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OUR PRODUCTION FACILITIES

Our Production Plants

During the Track Record Period, apart from our Yichun Production Plant, we had leased two properties in Yiwu City from the Independent Third Parties as our production facilities, office and dormitory. The two leased properties had a gross floor area of approximately 12,608.75 sq. m.

In order to expand our production capacity and facilitate long term business development, we relocated our production facilities in Yiwu City to our self-owned Yiwu Production Plant which has a larger site area. The relocation commenced in January 2015 and was completed in February 2015. All the machineries and equipment at the leased production facilities in Yiwu City had been moved and relocated to the Yiwu Production Plant. With a view to expanding our production capacity, we also purchased approximately 140 additional machineries when we moved into the Yiwu Production Plant. Our Directors confirm that the annual depreciation expenses of these additional machineries will be approximately RMB45,250, calculated by dividing the total costs incurred in acquiring these additional machineries by their useful life in terms of years. In February 2015, all operations in the leased production facilities in Yiwu City ceased and we delivered vacant possession of the two leased properties to the respective landlords in February 2015. We commenced our operation at the Yiwu Production Plant since February 2015. For further detail regarding the leased production facilities in Yiwu City and the relocation, please refer to the paragraph headed “Business — Properties — Leased Properties” in this prospectus.

As at the Latest Practicable Date, we owned and operated two production plants in Yiwu City of Zhejiang Province and Yichun City of Jiangxi Province with a total site area of approximately 101,188.3 sq.m.. During the Track Record Period, before we commenced production in the current Yiwu Production Plant, we leased two production facilities in Yiwu City from Independent Third Parties.

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As at the Latest Practicable Date, we had 1,875 employees in our two production plants. Our production plants were built on land properties owned by our Group. The following table sets out details of our two production plants:

	Approximate total site area	Approximate gross floor area	Functions	Number of employees as at the Latest Practicable Date
Yichun Production Plant	81,169.2 sq.m.	39,870.48 sq.m.	<ul style="list-style-type: none"> • manufacturing of cosplay costumes, cosplay wigs and sexy lingerie 	1,334
Yiwu Production Plant	20,019.1 sq.m.	40,725.74 sq.m.	<ul style="list-style-type: none"> • manufacturing of cosplay costumes, cosplay wigs and sexy lingerie • research and development • marketing 	541

As advised by our PRC Legal Advisers, we have obtained all the relevant and valid licenses, permits and certificates for the manufacturing of our costumes, wigs and sexy lingerie in the two production plants. We also closely monitor quality assurance and safety control processes in the manufacturing of our products and we had not experienced any suspension or termination of any license, permit or certificate necessary for the operation of our production plants during the Track Record Period.

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Machineries and equipment

Our production plants are equipped with a variety of machineries and equipment for different stages of production. The primary machineries and equipment that we use are sewing machines, hair arrangement machines and hair curling platforms. All of our machineries and equipment were purchased in the PRC and have useful life of five to ten years. The table below sets out a summary of our principal machines and details thereof as at the Latest Practicable Date:

Machine	Number of units	Average age (approximately) (Note 1)	Remaining Useful Life (approximately) (Note 2)
Computerised high speed direct drive overlock sewing machine* (四線車)	141	2 to 3 years	7-8 years
Single-needle high posted sewing machine* (高頭車)	208	5 years	5 years
Lockstitch Sewing Machine with Drop Feed* (平車)	581	4 years	6 years
Hair arrangement machines* (排髮車)	56	7 years	3 years
Hair curling platforms* (壓曲機)	35	6 years	4 years

Notes:

1. The average age of the machinery and equipment is calculated based on the aggregated age of the machinery divided by the number of units of the machinery.
2. The remaining useful life of the machinery and equipment is calculated based on the estimated useful life deducted the average age of the machinery.

All of our machineries and equipment were purchased in the PRC.

Repair and maintenance

We implement strict repair and maintenance procedures for our major machineries and equipment. Our production department will conduct routine checking on our machineries and equipment on a daily basis and will conduct detailed checking on a monthly basis. We maintain detailed records of maintenance and repair of the machineries.

At the end of each calendar year, our management team will prepare an “Equipment Annual Inspection Plan” and an “Equipment Inspection Guidelines” for the next year. For the three years ended 31 December 2014 and the three months ended 31 March 2015, our costs incurred for the

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repair and maintenance of our machineries and equipment were approximately RMB66,000, RMB21,000, RMB37,000 and RMB7,000 respectively. Our Directors confirm that during the Track Record Period, we did not experience any significant interruption to our production due to any breakdown of our machineries or equipment.

We have engaged two independent subcontractors for the production of certain products (excluding the brand labelling and packaging process) since 2014 in order to reduce our workload. During the Track Record Period, payments to our subcontractors amounted to nil, nil, approximately RMB14.5 million and RMB6.5 million respectively representing nil, nil, approximately 5.0% and 8.9% of our total costs of sales during the corresponding period. The proportion of the Group's wigs and clothing manufactured in-house and subcontracted is illustrated in the table below.

	For the year ended 31 December						For the three months ended	
	2012		2013		2014		31 March	
	(Unit)	%	(Unit)	%	(Unit)	%	(Unit)	%
Wigs								
Manufactured								
in-house	8,638,257	100.0	10,528,818	100.0	15,014,451	86.7	1,974,805	56.8
Subcontracted	<u>—</u>	<u>0.0</u>	<u>—</u>	<u>0.0</u>	<u>2,294,210</u>	<u>13.3</u>	<u>1,499,422</u>	<u>43.2</u>
Total	<u><u>8,638,257</u></u>	<u><u>100.0</u></u>	<u><u>10,528,818</u></u>	<u><u>100.0</u></u>	<u><u>17,308,661</u></u>	<u><u>100.0</u></u>	<u><u>3,474,227</u></u>	<u><u>100.0</u></u>
Clothing								
Manufactured								
in-house	3,838,249	100.0	3,712,344	100.0	5,545,314	76.4	713,222	69.5
Subcontracted	<u>—</u>	<u>0.0</u>	<u>—</u>	<u>0.0</u>	<u>1,711,696</u>	<u>23.6</u>	<u>312,681</u>	<u>30.5</u>
Total	<u><u>3,838,249</u></u>	<u><u>100.0</u></u>	<u><u>3,712,344</u></u>	<u><u>100.0</u></u>	<u><u>7,257,010</u></u>	<u><u>100.0</u></u>	<u><u>1,025,903</u></u>	<u><u>100.0</u></u>

The increase in the proportion of our wigs and clothing produced by subcontractors for the three months ended 31 March 2015 was mainly attributed to (i) the temporary stoppage of part of our machineries due to the relocation of our production facilities from the leased production plant in Yiwu to our self-owned Yiwu Production Plant in January and February 2015; and (ii) the increase in purchase orders placed on our Group during the last quarter of 2014 whereby we have to produce and deliver the products to our customers during the first quarter of 2015.

For further details of the subcontracting arrangement, please refer to the paragraph headed Business — Our Production Facilities — Subcontracting” in this prospectus.

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We maintained high utilisation rates of our production plants during the Track Record Period. The following table sets forth the production capacity of our production facilities for each of the three years ended 31 December 2014 and the three months ended 31 March 2015:

	For the year ended 31 December				For the three months ended 31 March				For the three months ended 31 March												
	2012		2013		2014		2014		2015		2015		2015								
	Yichun facilities in Production	Leased production facilities in Production	Yiwu facilities in Production	Leased production facilities in Production	Yichun facilities in Production	Leased production facilities in Production	Yiwu facilities in Production	Leased production facilities in Production	Yichun facilities in Production	Leased production facilities in Production	Yiwu facilities in Production	Leased production facilities in Production	Yichun facilities in Production	Leased production facilities in Production							
Estimated average production time (second) (Note 1)																					
Wigs	453.3	601.3	—	483.8	456.6	611.3	—	479.9	421.7	549.2	—	445.4	350.7	523.7	—	373.9	604.3	551.8	447.0	588.9	
Clothing	1,600.9	1,644.5	—	1,631.7	1,743.0	1,738.7	—	1,740.6	1,305.7	1,684.1	—	1,596.9	1,069.3	1,433.0	—	1,180.3	2,466.7	877.4	2,338.5	2,349.8	
Estimated maximum capacity (unit) (Note 3)																					
Wigs	7,920,000	1,306,800	—	9,226,800	9,223,500	1,425,600	—	10,649,100	13,800,600	1,887,600	—	15,688,200	3,604,680	355,680	—	3,960,360	1,844,700	142,200	97,500	2,084,400	
Clothing (Note 4)	3,003,000	1,016,400	—	4,019,400	2,966,700	871,200	—	3,837,900	4,712,400	1,003,200	—	5,715,600	1,178,000	209,760	—	1,387,760	589,680	148,800	60,000	798,480	
	10,923,000	2,323,200	—	13,246,200	12,190,200	2,296,800	—	14,487,000	18,513,000	2,890,800	—	21,403,800	4,782,680	565,440	—	5,348,120	2,434,380	291,000	157,500	2,882,880	
Actual production (unit)																					
Wigs	7,545,307	1,092,950	—	8,638,257	9,216,650	1,312,168	—	10,528,818	13,751,765	1,262,686	—	15,014,451	3,543,097	326,221	—	3,869,318	1,831,083	93,745	49,977	1,974,805	
Clothing (Note 4)	2,823,497	1,014,752	—	3,838,249	2,865,624	846,720	—	3,712,344	4,608,076	937,238	—	5,545,314	1,175,776	179,113	—	1,354,889	574,570	123,197	15,455	713,222	
	10,368,804	2,107,702	—	12,476,506	12,082,274	2,158,888	—	14,241,162	18,359,841	2,199,924	—	20,559,765	4,718,873	505,334	—	5,224,207	2,405,653	216,942	65,432	2,688,027	
Utilisation rate (Note 5)																					
Wigs	95.3%	83.6%	—	93.6%	99.9%	92.0%	—	98.9%	99.7%	66.9%	—	95.7%	98.3%	91.7%	—	97.7%	99.3%	65.9%	51.3%	94.7%	
Clothing (Note 4)	94.0%	99.8%	—	95.5%	96.6%	97.2%	—	96.7%	97.8%	93.4%	—	97.0%	99.8%	85.4%	—	97.6%	97.4%	82.8%	25.8%	89.3%	
Total	94.9%	90.7%	—	94.2%	99.1%	94.0%	—	98.3%	99.2%	76.1%	—	96.1%	98.7%	89.4%	—	97.7%	98.8%	74.6%	41.5%	93.2%	

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Notes:

1. The respective estimated average production time per unit of wigs or clothing is calculated by dividing the respective total actual production time for the production of wigs and clothing by the respective number of the wigs and clothing manufactured by us during the relevant period. The variation in the estimated average production time per unit was due largely to the complexity of production process involved for each type of wigs and clothing manufactured in the relevant production plant during the relevant period. For the two years ended 31 December 2013, the product mix of our Group remained largely similar and hence the average production time per unit remained steady for the same period. The average production time for the products was shortened in 2014 due to the increase in sales of products related to the World Cup effect in 2014, which generally involved less complexed production processes. The average unit production time for wigs and clothing in 2015 increased due to the increase in the sales of products with higher unit selling price such as cosplay costumes to our customer G relating to the big hit movie "Transformers". These products involved more complexed production processes. As a result, the estimated average unit production time for wigs and clothing at our Yiwu Production Plant increased from 350.7 seconds per unit and 1,069.3 seconds per unit respectively for the three months ended 31 March 2014 to 604.3 seconds per unit and 2,466.7 seconds per unit respectively for the three months ended 31 March 2015 at our Yichun Production Plant and 447.0 seconds per unit and 2,338.5 seconds per unit respectively for the three months ended 31 March 2015. Since the operation of the leased production facilities in Yiwu City had been scaled down since January 2015 and completely ceased in February 2015 due to our relocation plan to the Yiwu City in 2015, clothings that involved less complexed production processes were arranged to be produced in the leased production facilities in Yiwu City and thus the estimated average unit production times for clothing changed from 1,433.0 seconds per unit for the three months ended 31 March 2014 to 877.4 seconds per unit for the three months ended 31 March 2015 therein.
2. During the Track Record Period, we leased two production facilities in Yiwu City from Independent Third Parties and we commenced operation in Yiwu Production Plant in February 2015 with all the machineries and equipment.
3. The estimated maximum capacity for a year is calculated based on the assumption of 330 days per year and 10 working hours per day and the estimated average production time per unit for illustration purpose only. The estimated maximum capacity for three months ended 31 March is calculated based on the actual number of days of each of Yichun Production Plant, the leased production facilities in Yiwu City and Yiwu Production Plant had been in operation (In 2014, Yichun Production Plant - 76 days, leased production facilities in Yiwu City - 76 days; in 2015, Yichun Production Plant - 78 days, leased production facilities in Yiwu City - 31 days, Yiwu Production Plant - 30 days) and the estimated average production time per unit. The estimated maximum capacity may also be affected by the number of workers and machineries available for production at the material time. These production plants and production facilities had been closed down due to the Chinese New Year holidays in the PRC and the operation of the leased production facilities in Yiwu City had been scaled down since January 2015 and completely ceased in February 2015 due to our relocation plan to the Yiwu Production Plant. Further, the estimated average production time per unit will vary depending on the complexity of the production process per unit.
4. Clothings include our cosplay costumes and sexy lingerie as they go through the same production processes.
5. Utilisation rate is calculated by dividing production volumes by the estimated maximum production capacity for the year. Utilisation rate for the three months ended 31 March 2015 is calculated by dividing the actual production volume of the period by the estimated maximum production capacity of the period.
6. The utilisation rate for wig production in the leased production facilities in Yiwu City decreased from approximately 92.0% in 2013 to approximately 66.9% in 2014 was resulted from (i) the increase of approximately 32.4% in the estimated maximum production capacity for wigs in Yiwu City from 1,425,600 units in 2013

- to 1,887,600 units in 2014 while the actual production of wigs during the corresponding period did not cope with such increase but instead slightly decreased by approximately 3.8% whereby, the corresponding utilisation rate for wig production decreased significantly accordingly; and (ii) the decrease of actual production of wigs by approximately 3.8% from 1,312,168 units in 2013 to 1,262,686 units in 2014 as we had scaled down the production of wigs at our leased production facilities in Yiwu City during the fourth quarter of 2014 in preparation for our relocation plan to our self-owned Yiwu Production Plant at that time.
7. The utilisation rate for production of clothing in the leased production facilities in Yiwu City in 2014 only witnessed a slight decrease from approximately 97.2% in 2013 to 93.4% in 2014 as there is no significant increase in the production capacity of the leased production facilities in Yiwu City for production of clothing during the corresponding period and the slight decrease in utilisation rate for production of clothing in 2014 was due to the scale down of our production in clothing during the last quarter of 2014 in light of our relocation plan to our self-owned Yiwu Production Plant at that time.
8. Our estimated maximum capacity is determined by (i) the operating hours and the days of operation of our production plants; and (ii) the estimated average production time of products. Given there was no significant change in the operating hours and days in our Yichun Production Plant between the three months ended 31 March 2014 and the three months ended 31 March 2015, the estimated maximum capacity for the production of wigs and clothing at the Yichun Production Plant decreased from approximately 3.6 million units and 1.2 million units respectively for the three months ended 31 March 2014 to approximately 1.8 million units and 0.6 million units for the three months ended 31 March 2015 respectively was mainly due to the difference in specifications of some of our products, i.e. the increase in the production of both wigs and clothing products which required a more complex production process and manual works during the period for higher specifications after the influence of the World Cup effect in 2014 and resulted in a longer production time per unit and the decrease in volume of output during the corresponding period. For the three months ended 31 March 2015, the respective average production time of clothing and wigs at our Yichun Production Plant were approximately 2,466.7 seconds per unit and 604.3 seconds per unit, increasing from approximately 1,069.3 seconds per unit and 350.7 seconds per unit respectively for the three months ended 31 March 2014. Our Directors confirm that the production process for some products for the three months ended 31 March 2015 was longer due to the more complex production process involved. With a longer production time per unit, the estimated maximum capacity decreased accordingly. Notwithstanding the prolonged production process and reduced estimated maximum capacity, it did not adversely affect the profitability of the Company. In fact it was compensated by the higher unit selling price of such products for the three months ended 31 March 2015. As a result the revenue of the Company increased by approximately 94.7% from approximately RMB50.0 million for the three months ended 31 March 2014 to approximately RMB97.4 million for the three months ended 31 March 2015. For further information of the sales of our higher priced products in 2015, please refer to the section headed “Financial Information — Sales quantities and average unit selling price by products” in this prospectus.
9. The estimated maximum capacity at the Yichun Production Plant and the leased production facilities in Yiwu City increased from approximately 12.2 million units and 2.3 million units for the year ended 31 December 2013 to approximately 18.5 million units and 2.9 million units for the year ended 31 December 2014 respectively. Such increase was mainly attributed to (i) our recruitment of more workers, acquisition of new machineries which resulted in the enhancement of our production efficiency; (ii) the influence of the World Cup 2014 which led to a large demand for world-cup-related products in 2013 and 2014. These products involved less complex production processes and therefore the estimated maximum capacity had been boosted up due to the shortened production time of such products.

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Production Process

The following flowcharts set forth the production process of cosplay costumes and sexy lingerie and the production process of cosplay wigs:

Production process of cosplay costumes and sexy lingerie

		<u>Approximate processing time</u>
Examination of fabrics and other incoming materials	<ul style="list-style-type: none"> • Conducting a few rounds of stocktaking and quality checking on both the appearance of the materials and their qualities to ensure that the materials are suitable for production purposes • Ensuring that the incoming raw materials are free from such problems as worn, smudginess, flaws and chromatic aberrations 	3 days
Preparation of relevant machineries and technologies	<ul style="list-style-type: none"> • Preparing for mass production by first making sure that the artwork sheet, the template as well as the sample garments are in place • Preparing the artwork sheet is the guiding document which entails specifications and detailed requirements on such processes as sewing, ironing and packaging, the pairing of fabrics and materials, stitching density, as well as details regarding different production stages • Starting pilot production for clients' further approval and identification of potential hiccups that need to be addressed before mass production begins 	1 day
Cutting/hopping	<ul style="list-style-type: none"> • Avoiding marked flaws on the fabrics and materials • Making sure that the fabric directions are smooth and rightly arranged when hopping • Ensuring that reverse hopping cannot be applied to some fabric types • Post-hopping stock count and quality inspections • Categorising, labeling and bundling together hopped fabrics 	1 day
Sewing	<ul style="list-style-type: none"> • Sewing done primarily by hand-sewing or machine-sewing • Some designs may require lock holing and button pinning 	Variable
Ironing	<ul style="list-style-type: none"> • Ironing is carefully done to avoid burnt on garments or waves and crumples left on garments 	2 days
Quality control	<ul style="list-style-type: none"> • Conducting quality inspections throughout the production processes of fabric cutting, sewing, lock holing and button pinning as well as ironing • Conducting a final, comprehensive quality inspection process to ensure the standards of the finished garments before packaging 	1 day
Packaging/warehousing	<ul style="list-style-type: none"> • Packing finished garments into boxes in accordance to customers' specifications and requirements 	2 days

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Production process of cosplay wigs

		<u>Approximate processing time</u>
Examination of incoming synthetic fibres and other raw materials	<ul style="list-style-type: none"> • Incoming synthetic fibres and other raw materials going through an initial stock count and quality check • Only materials that meet our required standards are being used in the production process 	2 days
Preparation of relevant machineries and technologies	<ul style="list-style-type: none"> • Preparing for mass production by making sure that the artwork sheet, the template as well as the sample wigs are in place 	1 day
Processing of synthetic fibres and materials	<ul style="list-style-type: none"> • Processing synthetic fibres that involves mainly cutting, trimming and bundling of synthetic fibres 	1 day
Synthetic fibres arrangement	<ul style="list-style-type: none"> • Arranging processed synthetic fibres into weaves • Trimming synthetic fibres weaves to achieve the required textures and lengths 	1 day
Synthetic fibres curling	<ul style="list-style-type: none"> • Curling synthetic fibres that are usually done by a heating process on aluminium hair rolling pipes • Using aluminium hair rolling pipes of different sizes in strict accordance to the requirements on the artwork sheet to achieve different curling effects • Pre-setting the curling temperature and timing to achieve the required effects • Conducting quantification and quality inspection after the curling process • Categorising and bundling processed synthetic fibres together according to their quality, with tags attached to the bundles indicating the class of the materials, the parts of the wigs to which they belong and the material serial numbers 	2 days
High pin-count sewing	<ul style="list-style-type: none"> • Producing wigs by machine sewing or hand sewing • Sewing and pinning processed synthetic fibres weaves onto pre-made wig caps according to specified lengths and curliness laid down on the artwork sheet 	15 days
Styling and trimming	<ul style="list-style-type: none"> • Trimming further and styling sewed wigs to achieve the intended effects on the artwork sheets and in accordance to the customer-approved pilot product 	5 days
Product inspection and examination	<ul style="list-style-type: none"> • Conducting quality inspections throughout the production processes • Conducting a final, comprehensive quality inspection process to ensure that standards are properly met before the finished wigs are sent for packaging 	1 day
Packaging and warehousing	<ul style="list-style-type: none"> • Packing finished wigs into boxes in accordance to customers' specifications and requirements 	2 days

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Product delivery

We sell our products overseas mainly on the basis of FOB via the Port of Shanghai, the Port of Ningbo and other ports designated by our customer to all of our major customers. Upon such delivery, we consider that all risks and rewards associated with the ownership of our products are transferred to our customers and the relevant amount of sales shall thus be recognised as our revenue. Our customers are responsible for product transportation arrangements and import tariff beyond the said Port of Shanghai, Port of Ningbo and other designated ports.

Subcontracting

We have engaged two independent subcontractors for the production of certain products (excluding the brand labelling and packaging process) since 2014 in order to reduce our workload. We uphold our internal policy that the brand labelling and packaging process should be carried out by us in our production plants so that we have the opportunity to inspect the finished products before they are delivered to our customers. We impose stringent criteria on the selection and management of third party subcontractors. Our quality control department will conduct feasibility evaluation before engaging a subcontractor.

We would enter into a master agreement with each of these third party subcontractors. In general, the master agreement has a term of one year and does not impose any obligation on our part to place any minimum order for the sub-contracted products with the third party subcontractor. The payment and quantity of each procurement for the sub-contracted products will be specified in each purchase order. A master agreement typically includes the following key terms:

Quality standards

The products manufactured by the subcontractors are required to meet the standards of our samples or the prototypes manufactured by such third party subcontractor according to our specifications. We usually provide samples, graphics and technological information in respect of the products to third party subcontractors before production.

Payment

We typically settle the payment in arrears on a monthly basis and have a credit period of 30 days.

Raw materials

The third party subcontractors are required to use raw materials provided by us. They are also responsible for inspection of the raw materials and ensuring the materials are up to the required standard.

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Product inspection

We are entitled to oversee and monitor the manufacturing process and inspect the quality of the products at any time. If we are aware of any defective products, the third party subcontractors in question must rectify such defects immediately. Upon delivery of the products, we will have another final inspection on the external appearance, specification, quality, quantity and packaging of the products.

Return policy

If the products delivered by the third party subcontractor fails to meet our quality requirements, we are entitled to demand the third party subcontractor to fix the products at its own costs. If the products fixed by the third party subcontractor still fail to meet our quality requirements, we are entitled to return the entire delivery or fix the products ourselves and deduct the fixing costs from the payment for the sub-contracted products.

Confidentiality

Any information of our products such as designs, graphics and technology received by the third party subcontractors shall remain confidential and the third party subcontractors shall not make use of such information save and except in the production under the master agreements.

Default

We are entitled to seek compensation from the third party subcontractors if (i) the delivery falls short of the agreed quantity; (ii) the final products fail to satisfy our quality standards; (iii) the final products do not satisfy our packaging requirements; (iv) the delivery is not made within the agreed time frame; (v) the raw materials, machineries, packaging materials or other materials provided by us are damaged due to the faults of third party subcontractors; or (vi) the third party subcontractors fail to use the raw materials by our specification during the manufacturing of the products. We had not received any material claim or complaint by our customers in respect of the quality of the products produced by our subcontractors during the Track Record Period.

During the Track Record Period, the payments paid to our subcontractors amounted to nil, nil, approximately RMB14.5 million and RMB6.3 million respectively representing nil, nil, approximately 5.0% and 8.9% of our total cost of sales during the same period.

PRICING

We determine the prices of our CMS and OBM products on a cost-plus basis. Since each product has its own specifications or requirements, the pricing of each new product is negotiated and determined on a case by case basis with individual customers in order to balance the profitability between our customers and our Group.

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The price of our products are determined by reference to a number of factors including but are not limited to production costs, costs of raw materials, exchange rate consideration, complexity of the manufacturing process, lead time, packaging requirements and the size of the order. Other than the OBM products sold through direct sales channels by the “*WithCity*” e-shops in the PRC, our OBM products tend to be moderately priced as our target markets are primarily fast-growing developing countries including Brazil, Russia and Argentina.

For OBM products sold through direct sales channels by the “*WithCity*” e-shops, its prices are determined on a cost-plus basis taking into account the transaction fees (usually charged at 5% to 8% of the total transacted amount) of the respective products and by reference to the abovementioned factors.

SEASONALITY

Our sales did not experience abrupt changes during the year due to geographical diversification of our customers and our extensive range of products catering for different purposes and for festivals and carnivals that take place throughout the year (including Christmas, Easter, Valentine’s Day and Halloween) although we typically experience comparatively lower sales in January to April each year due to (i) our reduced business activities and closure of our production plants around the Chinese New Year holidays which fall in January or February of the year; (ii) the purchase patterns of our customers that they generally place their orders around third quarter of the year given that, based on our Directors’ observations, our customers place more purchasing orders with us in that quarter in anticipation of stronger market demands for cosplay products for the festive seasons in the fourth quarter of the year and the first quarter of the following year.

RAW MATERIALS AND SUPPLIERS

Raw materials purchased and used by our Group include mainly fabrics, synthetic fibres, wig caps, hair accessories, packaging materials and costume accessories. For the three years ended 31 December 2014 and the three months ended 31 March 2015, fabrics were the largest purchases, representing approximately 29.3%, 30.1%, 32.0% and 33.2% of the total raw materials procured. Our Directors confirm that there had not been any significant fluctuation in the market prices of these major types of raw materials during the Track Record Period. We source all our

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raw materials from PRC suppliers who are Independent Third Parties. The table below shows a breakdown of our Group's purchases by types of materials or products for the three years ended 31 December 2014 and the three months ended 31 March 2015:

	For the year ended 31 December						For the three months ended 31 March	
	2012		2013		2014		2015	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Fabrics	38,612	29.3	44,414	30.1	59,943	32.0	14,608	33.2
Costume accessories (Note 1)	28,801	21.9	30,779	20.8	37,407	20.0	10,277	23.3
Synthetic fibres	37,026	28.1	42,028	28.4	59,071	31.6	9,548	21.7
Hair accessories (Note 2)	17,471	13.3	17,560	11.9	15,531	8.3	6,083	13.8
Wig caps	3,180	2.4	4,456	3.0	5,432	2.9	1,817	4.1
Packaging materials	<u>6,605</u>	<u>5.0</u>	<u>8,506</u>	<u>5.8</u>	<u>9,673</u>	<u>5.2</u>	<u>1,715</u>	<u>3.9</u>
Total	<u>131,695</u>	<u>100.0</u>	<u>147,743</u>	<u>100.0</u>	<u>187,057</u>	<u>100.0</u>	<u>44,048</u>	<u>100.0</u>

Notes:

1. The costume accessories include mainly masks, cosmetic jewellerys, buckles and lacings
2. Hair accessories include mainly cosmetic jewellerys, hair pins, hair clips and headbands

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we had not encountered any material quality issue on or shortage of the raw materials used for production, which would otherwise have adversely affected our manufacturing.

During the Track Record Period, our Group purchased raw materials from over 70 suppliers. We generally have alternative sources of supply for the same kind of raw materials and hence, the loss of any single supplier would not have a material impact on our operations. We do not enter into any long-term procurement agreements with any supplier. We do not have any hedging policy against any risk of fluctuation in the raw material costs, but we closely monitor the market prices of the raw materials.

Selection of suppliers

We select our suppliers based on a number of criteria including but are not limited to their product quality, pricing, supply capability and business track record with our Group. With our extensive experience in providing CMS services to leading international brands and complying with their stringent international quality standards, we understand the importance of material safety and quality, and we are capable of identifying and picking quality materials and suitable suppliers.

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The market in Yiwu City and its peripheral areas are blessed with a high concentration of raw material suppliers and our geographical proximity to the market allows us to source the latest quality materials from a wide range of options at stable and competitive prices with high logistic efficiency. Hence, we do not have to rely solely on a small number of suppliers. For each of the sourcing exercise for a new type of raw material, we would typically pick from a pool of no less than three potential suppliers of the same materials and request the identified suppliers to provide quotations. We would demand our chosen suppliers to comply with relevant international quality control standards and perform quality tests on the supplied materials. We will also provide our suppliers with our in-house quality control expertise if such capacities are not available on their part.

We maintain a list of approved suppliers, whom would be removed from the list should they fail to satisfy our quality and service requirements upon periodic review by our production material control department. We are able to exercise considerable control over our sourcing exercises due to the vast number of available suppliers operating mainly in Yiwu City and its ancillary areas, which allows us to review and easily replace existing suppliers who fail to live up to our expectations from time to time. Despite our stringent standard criteria, we tend to maintain long term relationships with our suppliers, which typically range from three to seven years.

Our Directors confirm that as our quality control department closely monitors the quality of the supplied materials from the initial stage, we had not experienced any significant return of raw materials which would cause any material adverse effect to our business operations during the Track Record Period.

Salient terms of a typical purchase transaction

Our Directors do not consider it necessary to enter into any long-term procurement agreement with any supplier, which is in line with industry practice. Instead, our Group would place a purchase order to the chosen supplier in any typical purchase transaction. A typical purchase order contains specifications of the products procured on the quantity, unit prices and the total transaction amount. The suppliers are usually required to make delivery to our warehouse at their own costs on or before a specified date. We are generally required to pay within 60 days after the delivery of the materials to us. Payment is generally made by bank transfer and settled in RMB.

Our top five suppliers

For each of the three years ended 31 December 2014 and the three months ended 31 March 2015, total purchases from our top five suppliers amounted to approximately RMB53.5 million, RMB58.6 million, RMB77.5 million and RMB16.5 million, representing approximately 40.6%, 39.7%, 41.5% and 37.5% of our total cost of purchases for the corresponding periods. For each

BUSINESS

of the three years ended 31 December 2014 and the three months ended 31 March 2015, our purchases from our largest supplier accounted for approximately 17.4%, 17.1%, 15.8% and 14.9% of our total cost of purchases. All our suppliers are based in the PRC.

None of our Directors, their respective associates, and existing Shareholders owns more than 5% of our issued share capital or has any interest in any of our top five suppliers during the Track Record Period.

None of our top five suppliers was our customers during the Track Record Period.

The following tables set forth certain information of our top five suppliers during the Track Record Period:

For the year ended 31 December 2012

	Major products procured from the supplier	Credit period	Years of business relationship	Business nature and background of the supplier	% to total costs of purchase of our Group (approximately)
Supplier A	Synthetic fibres and wig accessories	60 days after receipt of products	6	A manufacturer of wigs raw materials, wig-related products, costumes and accessories	17.4
Supplier B	Synthetic fibres and wig accessories	60 days after receipt of products	7	A manufacturer of wigs raw materials and wig-related products	7.1
Supplier C	Fabrics	60 days after receipt of products	6	A manufacturer of textile	6.7
Supplier D	Fabrics	60 days after receipt of products	5	A wholesaler and retailer of textile	4.9
Supplier E	Wig cap, synthetic fibres and wig accessories	60 days after receipt of products	5	A manufacturer of textiles, costumes and accessories	4.5

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For the year ended 31 December 2013

	Major products procured from the supplier	Credit period	Years of business relationship	Business nature and background of the supplier	% to total costs of purchase of our Group (approximately)
Supplier A	Synthetic fibres and wig accessories	60 days after receipt of products	6	A manufacturer of wigs raw materials, wig-related products, costumes and accessories	17.1
Supplier C	Fabrics	60 days after receipt of products	6	A manufacturer of textile	6.6
Supplier B	Synthetic fibres and wig accessories	60 days after receipt of products	7	A manufacturer of wig raw materials and wig-related products	5.9
Supplier E	Wig cap, synthetic fibres and wig accessories	60 days after receipt of products	5	A manufacturer of textiles, costumes and accessories	5.2
Supplier D	Fabrics	60 days after receipt of products	5	A wholesaler and retailer of textile	4.9

For the year ended 31 December 2014

	Major products procured from the supplier	Credit period	Years of business relationship	Business nature and background of the supplier	% to total costs of purchase of our Group (approximately)
Supplier A	Synthetic fibres and wig accessories	60 days after receipt of products	6	A manufacturer of wigs raw materials, wig-related products, costumes and accessories	15.8
Supplier E	Wig cap, synthetic fibres and wig accessories	60 days after receipt of products	5	A manufacturer of textiles, costumes and accessories	7.8

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	Major products procured from the supplier	Credit period	Years of business relationship	Business nature and background of the supplier	% to total costs of purchase of our Group (approximately)
Supplier C	Fabrics	60 days after receipt of products	6	A manufacturer of textile	7.5
Supplier F	Fabrics	60 days after receipt of products	5	A processor of fabric, manufacturer and exporter of textile	6.3
Supplier B	Synthetic fibres and wig accessories	60 days after receipt of products	7	A manufacturer of wigs raw materials and wig-related products	4.1

For three months ended 31 March 2015

	Major products procured from the supplier	Credit period	Years of business relationship	Business nature and background of the supplier	% to total costs of purchase of our Group (approximately)
Supplier A	Synthetic fibres and wig accessories	60 days after receipt of products	6	A manufacturer of wigs raw materials, wig-related products, costumes and accessories	14.9
Supplier G	Fabrics	60 days after receipt of products	4	A manufacturer of costumes accessories and fabric	5.7
Supplier F	Fabrics	60 days after receipt of products	5	A processor of fabric, manufacturer of textile	5.7
Supplier C	Fabrics	60 days after receipt of products	6	A manufacturer of textile	5.6
Supplier H	Fabrics	60 days after receipt of products	5	A manufacturer of accessories, fabric and packaging material	5.6

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CUSTOMERS

CMS customers

Our major CMS customers include mainly (i) designated licensees of a globally renowned outdoor theme park chain originated in the United States; (ii) licensees and proprietors of popular animation characters in North America, Europe, Japan and Australia; and (iii) notable brands and department stores operating across such regions as North America, Germany, the U.K. and Australia. During the Track Record Period, the revenue derived from our customers who are proprietors or licensees of animation characters contributed to our total revenue growth and amounted to approximately RMB94.8 million, RMB125.5 million, RMB174.8 million and RMB52.2 million respectively, which accounted for approximately 38.6%, 42.0%, 43.9% and 53.6% of our total revenue respectively. During the Track Record Period, our customers included but not limited to R.H. Smith & Sons (Wigmakers) Ltd., Spencer Gifts, LLC, Lovin Enterprises Inc., Leg Avenue, Inc., Elope, Inc., Widmann S.R.L. and Easter Unlimited, Inc.. We set out below the background of these customers:

- Founded in 1984, R.H. Smith & Sons (Wigmakers) Ltd. is a party and festive product supplier in Europe which sells costumes, wigs and accessories to its customers around the world. It has developed a number of well-known brands such as “Smiffys” and “Fever” over the years. According to the website of “Smiffys” (“www.smiffys.com”), it currently sells products associated with certain popular animation characters including “Angry Bird”, “Chucky”, “E.T.”, “Hellraiser”, “Kill Bill”, “Lazy Town”, “Michael Myers”, “Sesame Street”, “Shrek” and “Street Fighter”. Under the influence of World Cup 2014 held in Brazil during that year which triggered a huge demand for related products, we sold World Cup related costumes to R.H. Smith & Sons (Wigmakers) Ltd. in 2013 and 2014.
- Spencer Gifts, LLC acquired the brand “Spirit Halloween” in 1999. The first store of “Spirit Halloween” opened in 1983. As of 2014, “Spirit Halloween” had over 1,100 stores operating in the US and Canada and is one of the leading Halloween specialty stores. Apart from Halloween products, Spencer Gifts, LLC also sells festive and party themed cosplay costumes and cosplay wigs. Under the influence of World Cup 2014, we sold a large quantity of World Cup related products to Spencer Gifts, LLC in 2013 and 2014.
- Lovin Enterprises Inc. is a leading cosplay costumes and sexy lingerie wholesaler which sells its products to customers around the world. It is one of the leading suppliers of costumes and sexy lingerie in North America. It owns the brand “Dreamgirl”. Under the influence of World Cup 2014, we sold World Cup related products to Lovin Enterprises Inc. in 2013 and 2014.
- Leg Avenue, Inc. is a well-known costumes, lingerie and hosiery supplier in the US which sells its products to customers around the world. Originated in Los Angeles and renamed Leg Avenue, Inc. in 1999, Leg Avenue, Inc. is one of the leading brands in

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hosiery, costumes, lingerie and Halloween and party accessories. According to the company website of Leg Avenue, Inc. (“www.legavenue.com”), it currently sells products featuring animation characters such as “Street Fighter” and “Top Gun”. They also have the licence to sell products related to “Transformers” according to the product catalogue provided by Leg Avenue. We also sold World Cup related products to Leg Avenue, Inc. in 2013 and 2014.

- Elope, Inc. was founded in 1993 and is currently one of the leading companies of fun accessories in the world. According to the website of Elope, Inc. (“www.elope.com”), it offers a wide range of licenced products featuring “Alice in Wonderland”, “Franken Weenie”, “Disney Frozen”, “Disney Mickey”, “Disney Princess”, “Disney Toy Story”, “My Little Pony”, “Spider-Man”, “Captain America”, “Avengers Assemble” and “Iron Man”.
- Widmann S.R.L. is a prominent party products supplier in Italy which sells costumes, wigs and accessories to customers in Europe and North America. It offers over 10,000 products of different festive themes and party styles.
- Easter Unlimited, Inc.’s “Fun World” division began in 1963. According to the website of “Fun World” (“www.fun-world.net”), it currently sells products featuring movie, TV and comic book characters which include but are not limited to “Popeye”, “Raggedy Ann”, “Daisy Duke”, “I Love Lucy”, “Michael Myers” and “Gilligan’s Island”.

The aggregate sales to the above CMS customers accounted for approximately 17.5%, 21.1%, 24.2% and 24.4% of our total revenue for the three years ended 31 December 2014 and the three months ended 31 March 2015 respectively. Other than the above mentioned customers, we also sold World Cup related costumes and wigs to other CMS customers in 2013 and 2014 under the influence of World Cup 2014.

OBM customers

Our Directors noted that our major overseas OBM customers are mainly (i) new entrants to the markets of cosplay costumes, cosplay wigs and sexy lingerie who lack established brand names and ready lines of products; and (ii) players operating in markets where our existing CMS customers’ presence tends to be relatively insignificant. From 2014 onwards, our OBM business in the PRC domestic market target mostly at end-customers via the “*WithCity*” e-shops.

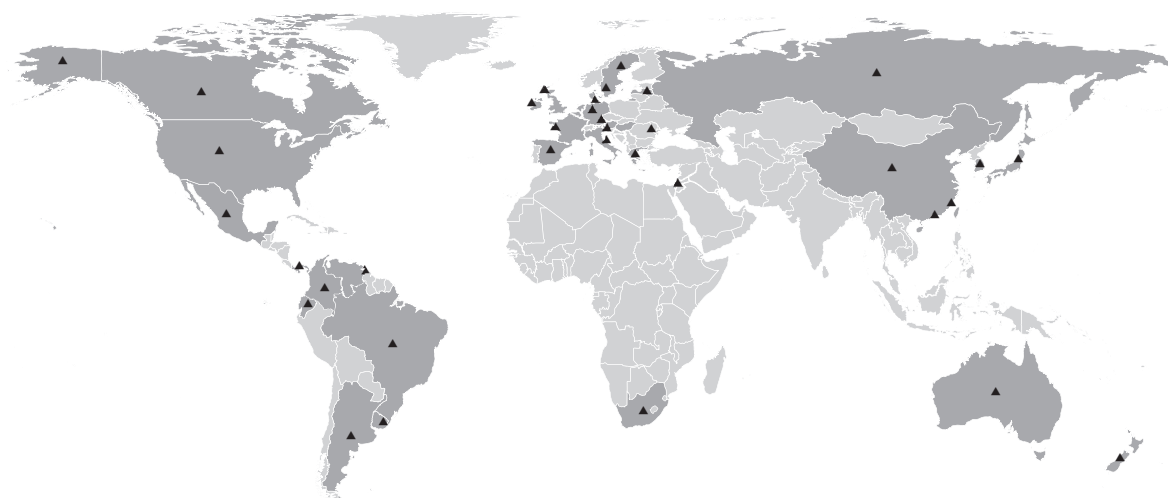
During the Track Record Period, we sold our products to over 200 customers excluding the end-customers who purchased our products via online platforms, therefore we are not reliant on any single customer.

Global network of our customers

Our sales currently cover more than 30 countries and regions around the globe. Our export market is composed mainly of developed markets such as US, Germany, UK and Australia, as well as the fast-growing developing markets such as Brazil, Russia, South Africa and Argentina.

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The following map illustrates the sales coverage of our products during the Track Record Period:



▲ Sales coverage

During the Track Record Period, the United States, Germany and the U.K. were the three largest destinations for our Group's exports. The following table sets forth our revenue breakdown by geographic locations:

	For the year ended 31 December						For the three months ended 31 March			
	2012		2013		2014		2014		2015	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
North America (Note 1)	93,666	38.1	121,422	40.6	155,237	39.0	14,299	28.6	43,524	44.7
Europe (Note 2)	75,509	30.7	85,696	28.7	139,182	35.0	16,309	32.6	24,825	25.5
Oceania (Note 3)	20,123	8.2	26,578	8.9	31,340	7.9	4,949	9.9	9,966	10.2
South America (Note 4)	22,579	9.2	26,445	8.9	26,429	6.6	8,317	16.6	9,319	9.6
Asia (excluding the PRC) (Note 5)	25,010	10.1	32,408	10.8	37,511	9.4	4,471	8.9	6,726	6.9
PRC	8,322	3.4	4,994	1.7	6,404	1.6	1,683	3.4	3,033	3.1
Africa	616	0.3	1,209	0.4	1,820	0.5	—	0.0	—	0.0
Total	245,825	100.0	298,752	100.0	397,923	100.0	50,028	100.0	97,393	100.0

Notes:

1. Our customers in the North America include mainly the customers based in the United States, Canada and Mexico.
2. Our customers in Europe include mainly the customers based in Germany, U.K., Holland, France, Russia and Belgium.
3. Our customers in Oceania include mainly the customers based in Australia and New Zealand.

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4. Our customers in South America include mainly the customers based in Brazil, Argentina, Columbia, Peru and Ecuador.
5. Our customers in Asia include mainly the customers in Japan and South Korea.

Our Directors confirmed that save for Russia, we had not sold or exported our products to any prevailing country at the time when this country or persons in this country are sanctioned by the US, the EU, the United Nations and Australia in contravention of the specified sanctions during Track Record Period. For details regarding our business activities in Sanctioned Countries, please refer to the sub-section headed “Business — Business Activities in Sanctioned Countries” in this prospectus.

Tax rebate

During the Track Record Period, revenue generated from our export sales amounted to approximately RMB237.5 million, RMB293.8 million, RMB391.5 million and RMB94.4 million, representing approximately 96.6%, 98.3%, 98.4% and 96.9% of our revenue respectively. We were therefore entitled to a rebate from the PRC tax authority arising from these export sales at a rate of 13% for most of our cosplay wigs and 16% and 17% for our cosplay costumes and sexy lingerie respectively. During the Track Record Period, we received export tax rebate in the respective sum of approximately RMB18.0 million, RMB19.9 million, RMB30.3 million and RMB4.9 million respectively. Our export products, mainly consisting of cosplay wigs, cosplay costumes and sexy lingerie, fall within the categories eligible for tax rebate under the Notice on Increasing the Export Tax Rebate Rates of Value Added Tax on Labor-intensive Commodities* (財政部、國家稅務總局關於出口貨物勞務增值稅和消費稅政策的通知) and the Notice on Adjustment of Export Tax Rebate Rate of Certain Products* (財政部、國家稅務總局關於調整部分產品出口退稅率的通知) which encourage PRC enterprises to export their products. When the sales of the export products are being recognised (i.e. the products having been delivered to the FOB ports), we are entitled to and will immediately make the applications for tax rebate to the tax authority. Tax rebate can then be recognised simultaneously and our cost of sales will be reduced accordingly. The amount of tax rebate is calculated by multiplying the invoiced value of the export sales with the tax rebate rate applicable to the export product type. During the Track Record Period, the applicable rate for most of our cosplay wigs, cosplay costumes and sexy lingerie is 13%, 16% and 17% respectively. We will then be informed by the tax authority that the relevant tax rebate can be realised by way of offsetting against VAT payable usually within approximately two weeks from the date of application. If the VAT payable is less than the tax rebate entitled, cash settlement will be made by the tax authority within approximately four weeks from the date of application. The purpose of the tax rebate is to refund the VAT incurred on raw materials we sourced for production of our products in the PRC, which were subsequently exported to overseas countries.

Online sales for domestic market

Online sale of our OBM products under the brand of “*WithCity*” is conducted via the “*WithCity*” e-shops, which are accessible and searchable by our target customers in the PRC. Products under the brand of “*WithCity*” are displayed and sold via the online platforms. Upon

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receipt of online orders, we will arrange for product delivery, and customers who receive and accept our deliverables would be asked to sign receipt acknowledgement and complete the transaction. During the Track Record Period, for every online transaction via 天貓 TMALL.COM (“www.tmall.com”) and 京東 JD.com (“www.jd.com”) charged a transactional fee ranging from 5% to 8%, which will be deducted directly from the transacted amount. The total amount of the transaction fees for the three years ended 31 December 2014 and for the three months ended 31 March 2015 was nil, nil, approximately RMB21,000 and RMB145,000 respectively. We have acquired the trademark of “*WithCity*” in April 2015 but the updating of registration of the said trademark under our name with the Trademark Office of SAIC was expected to be completed by January 2016. Our PRC Legal Advisers confirmed that although the registration of the “*WithCity*” trademark under our name has not yet been completed, Jiangxi Styler has the exclusive right to use the “*WithCity*” trademark pending the completion of the registration.

Principal contractual terms and credit terms

We would enter into individual sales order with both our CMS customers and OBM customers. The terms included in these sales orders usually cover such aspects as product specifications, unit price, volume, method of delivery, and payment terms. For our overseas customers, we generally require 30% of the sales price as deposit upon confirmation of the purchase order, and the remaining 70% of the sales price shall be paid within 30 days after shipment. We generally require our PRC customers to pay 30% of the sales price as deposit upon confirmation of sales order and the remaining 70% of the sales price before delivery.

Quality standards are based on pre-approved samples. Generally, products sold to our customers are not returnable except for reasons regarding product quality. During the Track Record Period, we had not experienced any substantial product returns from our customers.

Top five customers

For each of the three years ended 31 December 2014 and the three months ended 31 March 2015, sales to our top five customers accounted for approximately 27.4%, 28.2% and 31.1% and 33.6% of our revenue. In the corresponding periods, sales to our largest customer accounted for approximately 7.5%, 8.4% and 7.6% and 11.0% of our revenue. None of our Directors, their respective associates and existing Shareholders owns more than 5% of our issued share capital or has any interest in our top five customers during the Track Record Period.

None of our top five customers was our suppliers during the Track Record Period.

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The tables below set forth certain information of our top five customers during the Track Record Period:

For the year ended 31 December 2012

	Major products sold to the customer	Credit period	Years of business relationship	Business nature and background of the customer	% to revenue of our Group (approximately)
Customer A	Cosplay costumes, cosplay wigs and sexy lingerie	30% deposit and the remaining balance of 70% to be settled within 30 days after shipment	10	A leading cosplay products and sexy lingerie supplier in North America which sells its products to customers around the world	7.5
Customer B	Cosplay costumes, cosplay wigs and sexy lingerie	30% deposit and the remaining balance of 70% to be settled within 30 days after shipment	10	A party and festive product supplier in Europe which sells costumes, wigs and accessories to its customers around the world	5.5
Customer C	Cosplay costumes, cosplay wigs and sexy lingerie	30% deposit and the remaining balance of 70% to be settled within 30 days after shipment	8	One of the largest sexy lingerie and cosplay products wholesalers in US	5.3
Customer D	Cosplay costumes, cosplay wigs and sexy lingerie	30% deposit and the remaining balance of 70% to be settled within 30 days after shipment	11	One of the main suppliers of party items in Germany and Europe	4.7
Customer E	Cosplay costumes, cosplay wigs and sexy lingerie	30% deposit and the remaining balance of 70% to be settled within 30 days after shipment	7	One of the famous wholesalers offering a wide range of costumes, hats, shoes, wigs with customers throughout Europe	4.4

For the year ended 31 December 2013

	Major products sold to the customer	Credit period	Years of business relationship	Business nature and background of the customer	% to revenue of our Group (approximately)
Customer A	Cosplay costumes, cosplay wigs and sexy lingerie	30% deposit and the remaining balance of 70% to be settled within 30 days after shipment	10	A leading cosplay products and sexy lingerie supplier in North America which sells its products to customers around the world	8.4
Customer C	Cosplay costumes, cosplay wigs and sexy lingerie	30% deposit and the remaining balance of 70% to be settled within 30 days after shipment	8	One of the largest sexy lingerie and cosplay products wholesalers in the U.S.	5.4

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	Major products sold to the customer	Credit period	Years of business relationship	Business nature and background of the customer	% to revenue of our Group (approximately)
Customer F	Cosplay costumes, cosplay wigs and sexy lingerie	30% deposit and the remaining balance of 70% to be settled within 30 days after shipment	8	A wholesaler of cosplay products and accessories in the U.S. with customers in Australia, Canada and the U.K.	4.9
Customer E	Cosplay costumes, cosplay wigs and sexy lingerie	30% deposit and the remaining balance of 70% to be settled within 30 days after shipment	7	One of the famous wholesalers offering a wide range of costumes, hats, shoes, wigs with customers throughout Europe	4.8
Customer D	Cosplay costumes, cosplay wigs and sexy lingerie	30% deposit and the remaining balance of 70% to be settled within 30 days after shipment	11	One of the main suppliers of party items in Germany and Europe	4.7

For the year ended 31 December 2014

	Major products sold to the customer	Credit period	Years of business relationship	Business nature and background of the customer	% to revenue of our Group (approximately)
Customer A	Cosplay costumes, cosplay wigs and sexy lingerie	30% deposit and the remaining balance of 70% to be settled within 30 days after shipment	10	A leading cosplay products and sexy lingerie supplier in North America which sells its products to customers around the world	7.6
Customer B	Cosplay costumes, cosplay wigs and sexy lingerie	30% deposit and the remaining balance of 70% to be settled within 30 days after shipment	10	A party and festive product supplier in Europe which sells costumes, wigs and accessories to its customers around the world	6.4
Customer F	Cosplay costumes, cosplay wigs and sexy lingerie	30% deposit and the remaining balance of 70% to be settled within 30 days after shipment	8	A wholesaler of cosplay products and accessories in the U.S. with customers in Australia, Canada and the UK	6.0
Customer C	Cosplay costumes, cosplay wigs and sexy lingerie	30% deposit and the remaining balance of 70% to be settled within 30 days after shipment	8	One of the largest sexy lingerie and cosplay products wholesalers in USA	5.8
Customer E	Cosplay costumes, cosplay wigs and sexy lingerie	30% deposit and the remaining balance of 70% to be settled within 30 days after shipment	7	One of the famous wholesalers offering a wide range of costumes, hats, shoes, wigs with customers throughout Europe	5.3

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For the three months ended 31 March 2015

	Major products sold to customer	Credit Period	Years of business relationship	Business nature and background of the customer	% to revenue of our Group (approximately)
Customer G	cosplay costumes, sexy lingerie and wigs	30% deposit and the remaining balance of 70% to be settled within 30 days after shipment	4	A leading supplier of sexy costumes, lingerie and wigs originated in the US with sales all over the world and has become one of the leading brands in hosiery, costumes, lingerie and Halloween and party accessories wholesalers	11.0
Customer H	cosplay costumes and wigs	30% deposit and the remaining balance of 70% to be settled within 30 days after shipment	9	One of the largest wholesalers of party and festive items in Argentina and Brazil	6.0
Customer F	cosplay costumes, sexy lingerie and wigs	30% deposit and the remaining balance of 70% to be settled within 30 days after shipment	8	A wholesaler of cosplay products and accessories in the US with customers in Australia, Canada and the UK	5.7
Customer I	cosplay costumes, sexy lingerie and wigs	30% deposit and the remaining balance of 70% to be settled within 30 days after shipment	9	A wholesaler of cosplay costumes, sexy lingerie and wigs	5.6
Customer J	cosplay costumes, sexy lingerie and wigs	30% deposit and the remaining balance of 70% to be settled within 30 days after shipment	9	One of the largest wholesalers of cosplay costumes in Australia and New Zealand	5.3

During the Track Record Period, we did not have any material disputes with our customers or face on major return defective products.

MARKETING

Our Directors believe that our continuous efforts in maintaining high quality products, competitive prices and on-time delivery are the key to strengthening our customer base as well as effective marketing.

Sales and marketing activities of our Group are mainly conducted by our sales department. As at the Latest Practicable Date, our sales department was led by Mr. Lin and consisted of 41 personnel. Out of the 41 personnel, four of them are responsible for identifying and contacting new customers while the remaining are responsible for dealing with existing customers and maintaining frequent and personalised contacts with each of them. We usually maintain contacts with our overseas customers through emails.

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In general, our sales department is responsible for identifying and approaching new customers, handling enquiries from existing customers and following up customer orders. Our Group develops product catalogues featuring our collections to promote our latest products and enhance recognition of our brands. We conduct business matching through business-to-business platforms such as “Global Sources” (“www.globalsources.com”) and “Trade Good” (“www.tradegood.com”). We also participate in exhibitions and trade fairs such as the China Import and Export Fair* (中國進出口商品交易會) in the PRC and overseas such as China Sourcing Fairs to obtain the latest market intelligence and attract potential new customers.

The sales department maintains frequent and personalised contact with each of our existing customers to seek their feedback and understand their needs and preferences. The sales department also invites long term and prospective customers to visit our Group’s production facilities and/or our showroom in the PRC which showcases our production process and product designs. Our expenditure on sales and marketing amounted to approximately RMB7.5 million, RMB9.2 million, RMB11.6 million and RMB3.0 million for the three years ended 31 December 2014 and the three months ended 31 March 2015 respectively.

We plan to set up a service and experience centre at our Yiwu Production Plant, which will provide a venue for our end-customers to acquire experience in cosplaying different cosplay characters under the unique environment thereof. We believe that the setting up of the service and experience centre will help boost our OBM business in the PRC.

RESEARCH AND DEVELOPMENT

We believe our long-standing success is attributable to our strong research and development capabilities which enable us to continuously introduce high-quality new products and technological innovation. Our research and development department is well-equipped with creative capacities, experienced talents and advanced techniques, and can swiftly anticipate, identify and respond to the fast-evolving trends and rapidly changing consumer preferences. Our creative talents are capable not only of turning CMS customers’ conceptual ideas into commercially viable products, but also in creating and developing our OBM cosplay costumes, cosplay wigs and sexy lingerie under our own brands. As at the Latest Practicable Date, our research and development department houses up to 63 full-time staff members and two consultants. We have devoted substantial resources to the enhancement of our research and development capacities, which amounted to approximately RMB5.8 million, RMB7.5 million, RMB8.6 million and RMB2.1 million respectively for the three years ended 31 December 2014 and the three months ended 31 March 2015. The research and development expenses mainly consisted of raw material costs for trial production of new products, the remuneration paid to our staff of our research and development department and the fees paid to the universities and colleges which had entered into collaboration agreements with us.

To cope with our expansion plan, we decided to set up a research and development centre in the new premises to be built in our Yiwu Production Plant and recruit more staff to join our research and development team. For more detail regarding this research and development centre,

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please see the paragraph headed “Business — Business Strategies — Further strengthen our research and development capabilities” in this prospectus. We expect to incur approximately RMB15 million in 2015 on research and development (excluding the construction costs of our research and development centre in Yiwu City) and the breakdown of which is as follows:

Amount <i>(approximately RMB'000)</i>	Purpose
20,000	Part of the construction cost and machinery and equipment cost of our research and development centre
11,000	Regular research and development projects initiated by customers' orders <i>(Note)</i>
2,000	Application for registration of five patents
1,000	Research and development of cosplay masks
1,000	Research on market trends and liaison with external designers

Note: This refers mainly to the expenses to be incurred for (i) the research and development projects for our CMS customers who provide their initial ideas and concepts of their designated products to us, whereby our research and development department will work alongside such customers to turn these initial ideas and concepts into producible and marketable products; (ii) the research on market trends and market receptiveness of cosplay products and sexy lingerie bearing our own brands as reflected in the purchase orders and feedbacks from our customers; and (iii) the development of our cosplay products and sexy lingerie as requested by our customers from time to time.

Our research and development department stationed at the leased production facilities in Yiwu City during the Track Record Period and was moved to our self-owned Yiwu Production Plant in February 2015. Owing to our relocation plan from our leased production facilities to the Yiwu Production Plant during the first quarter of 2015 coupled with the Chinese New Year holiday in February 2015, our research and development expenses for the three months ended 31 March 2015 accounted for approximately RMB2.1 million, which represented approximately 14% of the expected research and development expenses in 2015.

Our research and development department focuses primarily on the following aspects: (i) proliferation of products by researching on cosplay trends and expanding our creative capacities; (ii) improving and enhancing our production capacity, production efficiency and product quality through technological innovations; and (iii) developing and applying new materials with unique features.

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To strengthen our research and development capacities, we have adopted the following policies:

- *Staff incentive schemes*

We run an incentive scheme to encourage submissions of creative ideas from within our Group, namely the “Staff Proposal Management Improvement System”. We offer prizes and incentives to our employees at different working levels and departments who provide us with new ideas on product innovation, technological improvement and project initiation. We also have in place contribution rewards for staffs who are involved in the creation and registration of new patented technologies.

- *Talent cultivation*

Both our technical and research and development talents are entitled to receive trainings in their respective areas of expertise and the opportunities to attend professional training courses offered by Independent Third Parties.

- *Talent recruitment and retention*

We are currently working to attract more passionate and experienced talents to our research and development department by constantly improving our reward and advancement structure, tapping into the circles of cosplayers and animation lovers to identify suitable candidates who would join our team as designers and leveraging on their first hand exposure to the circle and their sensitivities to cosplay and animation trends. We invite young talents to join our research and development department through trainings and opportunities offered to them.

- *Collaboration with universities and colleges*

We have entered into collaboration agreements with various universities and colleges on the research and development of technologies which, we expect, will significantly improve our production efficiency, strengthen our productivity and streamline our production process. Our Directors believe that by entering into these collaboration agreements, our Group will benefit in a number of aspects including access to the latest production technologies and the latest trends in the cosplay and animation market by tapping into the circles of young animation and cosplay lovers during the subsistence of the collaboration with these universities and colleges.

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We set out below a list of successful research and development projects which we collaborate with universities or other colleges:

Institution	Research area	Registration of patent under our Group's name	Expiry date of patent
East China University of Science and Technology* (華東理工大學)	Research and development of wig reforming machine	Utility model patent (Jiangxi Styler)	20/3/2022
East China University of Science and Technology* (華東理工大學)	Research and development of hot-pressing shaper	Utility model patent (Jiangxi Styler)	20/3/2022
East China University of Science and Technology* (華東理工大學)	Research and development of buckling machine	Utility model patent (Jiangxi Styler)	20/3/2022
Jiangxi Taihao Animation Vocational Training College* (江西泰豪動漫職業學院)	Research and development of wig	Utility model patent (Jiangxi Styler)	23/3/2022
Donghua University* (東華大學)	Research and development of hair strip weaving method and hair strip weaving device	Invention patent (Jiangxi Styler)	20/3/2032
Donghua University* (東華大學)	Research and development of efficient energy saving dryer	Utility model patent (Jiangxi Styler)	20/3/2022

Under a typical strategic cooperation agreement, we agree to pay a fixed sum of research fee to the university or college and to provide them with raw materials and platform for research and training. In return, the university or college would agree to complete the research in accordance with our requirements and allow us to retain records of the research result. The intellectual property rights of the result of each research shall be agreed on a case by case basis.

Attributable to our past efforts in strengthening our research and development capacities, we had developed over 2,000 products during the Track Record Period. Up to the Latest Practicable Date, we had also obtained two invention patents, twelve utility model patents and five design patents in the PRC, details of which are set forth in the table below:

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Authorised Patent and registration number	Registered Owner	Respective date of Application/ Authorisation	Date of Expiry	Brief description and application
Invention patent				
Hair strip weaving method and hair strip weaving device* (髮條編織製作方法及其裝置) (ZL201210075299.8)	Jiangxi Styler	21/03/2012 and 18/06/2014	20/03/2032	A fibre installation technique with the use of multiple sewing machines with pre-arranged sewing points and arrangers for ensuring consistent qualities of wigs, and reducing production costs.
Hair connection device, hair tying strip and hair connection method* (頭髮連接裝置及結髮條及其連接方法) (ZL201210075335.0)	Jiangxi Styler	21/03/2012 and 25/06/2014	20/03/2032	A hair tying technique that helps tie synthetic fibres to real hair by the use of clockwork knotting with an olive-shaped connecting tube. This patent is applied during the hair extension process to avoid damages to natural hair.
Utility model patent				
Hot-pressing shaper* (熱壓整形機) (ZL201220107621.6)	Jiangxi Styler	21/03/2012 and 07/11/2012	20/03/2022	A wig styling machine functioning with heat pressure to enhance the styling effects of the wigs.
Wig reforming machine* (假髮整形機) (ZL201220107639.6)	Jiangxi Styler	21/03/2012 and 07/11/2012	20/03/2022	A wig styling machine functioning on the interactive manual dynamics among multiple pressure points on the machine and the petals for styling wigs into different shapes.
Efficient energy saving dryer* (高效節能烘房) (ZL201220107536.X)	Jiangxi Styler	21/03/2012 and 07/11/2012	20/03/2022	A hot chamber used for hair styling which operates on a system composing of a heat plant, a drying chamber, a cooler and an air circulator to prevent inconsistent product quality due to weather changes.
Buckling machine* (壓曲機) (ZL201220107607.6)	Jiangxi Styler	21/03/2012 and 07/11/2012	20/03/2022	A machine used for the buckling of synthetic fibres which functions on a structure of interactive moulding rods to prevent uneven buckling and strengthen styling effects of wigs.
Comb device* (一種髮梳裝置) (ZL201220114687.8)	Jiangxi Styler	23/03/2012 and 07/11/2012	22/03/2022	A hair combing system made of a board with specially arranged combs to enhance the efficiency of the hair cutting and trimming procedures.
Body shaping wear* (具有塑形修身功能的服飾) (ZL201420639592.7)	Yiwu Partytime	30/10/2014 and 18/03/2015	29/10/2024	A female costume which has the function of body sculpting and shaping.
Grafting type wig sheath* (一種嫁接式假髮套件) (ZL201320457545.6)	Yiwu Styler	26/07/2013 and 19/02/2014	25/07/2023	A self-developed device for fixation of synthetic fibres through grafting.
Prism-shaped wig cap* (一種帶有菱形網的假髮網帽) (ZL201120332881.9)	Yiwu Styler	07/09/2011 and 30/05/2012	06/09/2021	A self-developed prism-shaped prototype for the acceleration of the wig production process.
Wig* (一種假髮) (ZL201220114989.5)	Jiangxi Styler	24/03/2012 and 07/11/2012	23/03/2022	A kind of wig that is easier to produce at lower costs.

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Authorised Patent and registration number	Registered Owner	Respective date of Application/ Authorisation	Date of Expiry	Brief description and application
Antibacterial wig* (抗菌纖維假髮) (ZL201420644934.4)	Jiangxi Styler	30/10/2014 and 18/03/2015	29/10/2024	A kind of wig that is made of antibacterial synthetic fibres.
Wigs* (假髮) (ZL201420844216.1)	Jiangxi Styler	25/12/2014 and 29/04/2015	24/12/2024	A kind of wigs which can be better fixed with different shape of the head of the user.
Wig cover* (假髮網罩) (ZL201420840775.5)	Jiangxi Styler	25/12/2014 and 29/04/2015	24/12/2024	A kind of wig cover which can be adjusted by the bands therein.
Design patent				
Packaging box (1)* (包裝盒(1)) (ZL201430511179.8)	Jiangxi Styler	09/12/2014 and 20/05/2015	08/12/2024	Pattern of the packaging box for packaging of cosplay wigs.
Packaging box (2)* (包裝盒(2)) (ZL201430511188.7)	Jiangxi Styler	09/12/2014 and 20/05/2015	08/12/2024	The combination of the shape and pattern of the packaging box for packaging of cosplay wigs.
Packaging box (3)* (包裝盒(3)) (ZL201430511189.1)	Jiangxi Styler	09/12/2014 and 20/05/2015	08/12/2024	The combination of the shape and pattern of the packaging box for packaging of sexy lingerie.
Packaging box (4)* (包裝盒(4)) (ZL201430511619.X)	Jiangxi Styler	09/12/2014 and 20/05/2015	08/12/2024	The combination of the shape and pattern of the packaging box for packaging of cosplay wigs.
Packaging box (5)* (包裝盒(5)) (ZL201430511316.8)	Jiangxi Styler	09/12/2014 and 20/05/2015	08/12/2024	Pattern of the packaging box for packaging of clothing.

QUALITY CONTROL

We believe the quality of our products is crucial to our continued success. We place strong emphasis on achieving consistently high quality for our products. Our quality control department is responsible for ensuring that we are in compliance with all internal policies and external standards imposed by our customers. As at the Latest Practicable Date, we had 27 quality control staff in our quality control department. Our quality control department is headed by Mr. Luo Sandong (羅三東), who received a TCQC certificate in 2012 with 12 years of experience in quality control. Holder of a TCQC certificate can conduct Final Quality Audits on behalf of Tesco IS.

We implement stringent quality control measures throughout the production process to ensure the quality of our products.

Purchase of raw materials	<ul style="list-style-type: none"> • We purchase raw materials from suppliers on our pre-approved list only • Sample tests are conducted before raw materials are accepted as our inventory
Production	<ul style="list-style-type: none"> • Our quality control staff monitor different stages of the production process • Visual inspection and testing are conducted to assess the quality of semi-finished products, with a view to ensuring that customer's specifications are adhered to

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- Some of our CMS customers perform regular factory audits to ensure that our production process comply with their standards in relation to aspects including environmental protection, occupational health and safety, corporate social responsibility and anti-terrorism concern
- Machinery and equipment management
- Regular inspections and maintenance are carried out to ensure optimum performance of our machinery and equipment
- Products
- Each batch of finished products is subject to visual inspection and testing, and a final sample check before they are passed to our customers

According to the BSCI Audit Summary Report issued by the Foreign Trade Association (“FTA”) on 5 November 2014 in which a full industrial audit has been conducted in respect of Jiangxi Styler, no deviation in crucial question has been identified in the operation of Jiangxi Styler. The BSCI Audit Summary Report evaluates the operation of a company in such aspects as management practice, documentation, working hours and compensation of employees, occupational health and safety, working conditions, corporate social responsibility and environment. Jiangxi Styler has been rated as “good” in all the said aspects, which is the highest available grade in the BSCI Audit Summary Report.

During the Track Record Period, we had also gone through and passed other factory audits as required by some of our CMS customers, who evaluated our factories based on such criteria as manufacturing practice, incoming material control, product control, process control, product range and factory capabilities etc. Some of these tests are conducted by our CMS customers who have stringent quality requirements as to our products, production process, flexibility in designs as well as factory standard. As at the Latest Practicable Date, we have been approved by many of our existing CMS customers which include a number of licensees of a globally renowned outdoor theme park chain originated in the U.S., licensees of international animation related enterprises and international brand owners of cosplay costumes and cosplay wigs.

ISO certification

We were awarded the ISO9001:2008 certificate, the ISO 14001:2004 Environmental Management System Certification Certificates and OHSAS 18001:2007 Occupation Health and Safety Management System Certification Certificates by Beijing Zhong Da Hua Yuan Certification Centre* (北京中大華遠認證中心) in relation to the manufacture process of costumes and cosplay wigs. The ISO certification process involves the review and observation of our manufacturing process and quality management process.

In addition to providing training to quality control staff in relation to the requirements of ISO standards, we also conduct internal reviews, once a year or when the management of our

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Group considers necessary, on our operations against the prescribed quality control policy formulated on, among other standards, the ISO standards to ensure ongoing compliance with the requirements of our ISO certifications. During the Track Record Period, we did not experience any difficulty in renewing our ISO certifications.

International Quality Standards

We were also awarded the Global Security Verification by Intertek. Intertek's GSV program promotes best practices in the global trade industry, enables importers and suppliers to mitigate risks associated with the cross-border transport of goods while simultaneously expediting their arrival at designated markets.

Further, our products are certified to comply with the American standard ASTM, European standard EN71 and REACH, which specify safety and environmental protection requirements for our products. With our outstanding factory audit results and the attainment of multiple recognised quality certifications, we have remained a long-standing pick by licensees of a globally renowned outdoor theme park chain originated in the U.S. for nine consecutive years since 2006.

Domestic Quality Standards

As for domestic quality standards, we were awarded Work Safety Standardization Certificate* (安全生產標準化證書) by the Administration of Work Safety of Jinhua City* (金華市安全生產監督管理局) in 2013.

While we are not able to totally eliminate the possibility of product liability claims, we have produced our products in strict accordance with the relevant safety requirements and standards as specified by our overseas customers. To the best knowledge of our Directors, we were not subject to any product liability claims in the markets where our products were sold during the Track Record Period and up to the Latest Practicable Date.

During the Track Record Period and up to the Latest Practicable Date, there was no incident of failure of our quality control systems which had a material impact on us.

RISK MANAGEMENT

Our management has designed and implemented a risk management policy to address various potential risks identified in relation to the operation of our CMS and OBM businesses, including strategic risks, operational risks, financial risks and legal risks. Our risk management policy sets forth procedures to identify, analyse, categorise, mitigate and monitor various risks. Our Board is responsible for overseeing the overall risk management system and assessing and updating our risk management policy on a quarterly basis. Our risk management policy also sets forth the reporting hierarchy of risks identified in our operations.

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FOREIGN EXCHANGE FLUCTUATIONS

A substantial part of our business is the export of CMS products and our bills to overseas customers are settled in US dollars whereas our purchases of materials and payment of wages and salaries to our employees are made in RMB. We are therefore exposed to exchange rate risk. During the Track Record Period, we had experienced exchange loss of approximately RMB0.5 million and RMB2.6 million for the year ended 31 December 2012 and 2013 respectively, and exchange gain of approximately RMB0.3 million and RMB1.2 million for the year ended 31 December 2014 and the three months ended 31 March 2015 respectively.

To minimise exchange risk, we closely monitor the movements in the exchange rates of US dollars and RMB. We also adopted procedures such that updates regarding foreign currencies are reported to our management team on a regular basis. We did not engage in any hedging activities during the Track Record Period but we will monitor from time to time to consider if there is such a need in the future.

INVENTORY MANAGEMENT

Our inventory balance includes raw materials, work in progress and finished products.

As some of our CMS customers may provide their own design and/or specify their preferred raw materials, our Group usually sources raw materials and other accessories for production only after our customers have confirmed their orders and their specifications in order to avoid accumulation of inventories. As most of our CMS products and OBM products are produced based on individual orders, there is no significant risk of obsolescence. On the other hand, we produce a small portion of finished OBM products for online sales in the PRC. We store these finished OBM products in our warehouse in the Yichun Production Plant until orders are received from the end-customers of our OBM products. Our sales department will monitor the level of these finished OBM products. If they notice any slow moving of our OBM products, the production of these OBM products will be temporarily stopped and more sales effort will be put in place for these OBM products.

In both the CMS and the OBM business models, our research and development department and our production department will work together on the choice of the production materials for a confirmed design. We will review a given pilot product with regard to the sourcing feasibility of the materials being used for the product.

We have devised the following major inventory management procedures to ensure efficient management of our inventory:

- our production department will determine the amount of the chosen materials to be purchased based on the number and sizes of purchase orders from our customers;

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- once the amounts are confirmed, our production material control department will check the availability of existing inventory and will then proceed to ordering the materials from suppliers chosen from our approved list of suppliers;
- after our quality control department has conducted inspections on the incoming materials, the materials will be warehoused;
- we use the “Production Materials Control System” purchased from an external third party on our IT platform to perform material categorisation and inventory tracking; and
- a full stock take is performed on a quarterly basis to ensure the accuracy of stock-in and stock-out information on record. Throughout the year, our Group reviews the stock-taking records and performs inventory aging analysis to that ensure inventories are properly used and that there is no unnecessary accumulation of aged inventories.

As at 31 December 2012, 2013 and 2014 and 31 March 2015, our inventory amounted to approximately RMB28.2 million, RMB29.1 million, RMB24.0 million and RMB21.2 million. For the three years ended 31 December 2014 and for the three months ended 31 March 2015, our average inventories turnover days were approximately 46 days, 48 days, 34 days and 29 days respectively.

Our Group will continue to actively monitor the inventory levels and seek to maintain a low level of inventory.

EMPLOYEES

As at the Latest Practicable Date, we employed 1,875 full-time employees, of which 541 are stationed in Yiwu City and 1,334 are stationed in Yichun City. The following table shows a breakdown of our employees by department as at the Latest Practicable Date:

	Number of employees
Management	5
Administration and human resources department	39
Research and development department	63
Production department	1,644
Sales department	41
Finance department	18
Production material control department	38
Quality control department	27
Total	<u><u>1,875</u></u>

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Relationship with employees

Our Directors believe that our management policies, working environment, employee development opportunities and employee benefits have together contributed to good employee relations and successful employee retention. As at the Latest Practicable Date, we had not experienced any material disruption in our operation as a result of labour strike or major labour dispute.

Recruitment of employees

We recruit employees based on a number of factors such as their work experience, educational background and vacancy needs.

Employee training

In order to attract and retain existing employees and strengthen their knowledge, skill level and quality, we place strong emphasis on the training of our employees. We provide training across different operational functions, including induction training for new employees, technical training, professional and management training, team-building and communications training.

Social Welfare Scheme

According to the Social Insurance Law of the PRC* (中華人民共和國社會保險法), we are required to make social insurance contributions for our employees in the PRC. As at the Latest Practicable Date, we maintained social insurance schemes that cover unemployment, retirement, work-related injuries, medical and maternity expenses for our PRC employees.

We received confirmation letters dated 5 May 2015 from the Human Resources and Social Protection Bureau of Yichun City* (宜春市人力資源和社會保障局) and dated 12 May 2015 from the Human Resources and Social Protection Bureau of Yiwu City* (義烏市人力資源和社會保障局), the respective competent and responsible authorities in Yichun City and Yiwu City in respect of our social welfare schemes, confirming that we had not violated applicable social insurance laws and regulations, and that we had not been subject to any administrative punishment or potential administrative punishment in relation to our social insurance contribution.

As advised by our PRC Legal Advisers, and confirmed by the confirmation letters, Jiangxi Styler, Yiwu Partytime and Yiwu Styler had made social insurance contributions for their employees in accordance with the relevant PRC laws and regulations during the Track Record Period.

Housing Provident Funds

We are also required under the Administrative Regulations on the Housing Provident Fund of the PRC* (住房公積金管理條例) to provide our employees in the PRC with housing provident funds. However, Jiangxi Styler, Yiwu Partytime and Yiwu Styler did not set up a housing provident fund account and pay housing provident fund contributions for their employees in accordance with the applicable PRC laws and regulations until January 2015.

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We had received waiver letters from 1,752 of our employees to the effect that they voluntarily waived and renounced their rights to the housing provident funds which should be contributed by our Group. These 1,752 employees also agreed to give up their rights to any potential claims against our Group in respect of the housing provident funds in the future.

To rectify such non-compliance, from January 2015 onwards, each of Jiangxi Styler, Yiwu Partytime and Yiwu Styler had set up a housing provident fund system and has been paying adequate contributions to the housing fund for their employees who have elected to make their own housing provident fund contributions, whose respective places of origin were mainly in the relevant urban areas, in accordance with and for the purpose of compliance with the applicable PRC laws and regulations. We did not set up any housing provident fund account nor pay housing provident fund contributions for employees whose places of origin are outside of the relevant urban areas as they had decided not to pay the relevant housing provident fund contributions of their own because their places of origins are outside of the regions where our Group's relevant housing provident funds are located and thus, when they retire, they may not be able to benefit from the housing provident fund. In future, we will ensure that all our incoming employees whose respective places of origin are in the relevant urban areas to give consent to set up housing provident fund accounts before they join our Group. As for incoming employees whose respective places of origin are outside of the relevant urban areas, we will persuade them to set up housing provident fund accounts upon joining our Group. If such employees refuse to set up housing provident fund accounts, we will arrange for them to sign waiver letters immediately to confirm their voluntary renunciation of their rights to the housing provident funds when they sign their employment contracts. To prevent the recurrence of such non-compliance, we have implemented a series of internal control measures. For details, please see the paragraph headed "Business — Legal and Compliance — Non-compliance Matters — On-going compliance measures" in this prospectus.

We have received two confirmation letters respectively dated 11 May 2015 from the Administration of Housing Provident Funds in Yichun City* (宜春市住房公積金管理中心) and dated 12 May 2015 from Yiwu Branch of the Administration of Housing Provident Funds in Jinhua City* (金華市住房公積金管理中心義烏分中心), the respective competent and responsible authorities in Yichun City and Yiwu City in respect of our housing funds, confirming, inter alia, that (i) we had duly established a housing provident fund system and paid housing provident funds for our employees as at the respective dates of the confirmation letters. In this connection, our Directors confirm, based on the advice from our PRC Legal Advisers, that these employees refer to the employees who had elected to make their own housing provident fund contributions; (ii) we are allowed to rectify the payment of housing provident fund contributions in future and as such our Directors take the view that we are allowed to gradually pay housing provident fund contributions for all employees in the future; (iii) they will not require us to pay the unpaid housing provident fund contributions and impose any penalty on us for such non-compliance; and (iv) we had never been penalised by them for any breach of the relevant PRC laws and regulations relating to the housing provident funds.

As advised by our PRC Legal Advisers, pursuant to applicable PRC laws and regulations, we may still be required to contribute housing provident fund for the employees who chose not to make their own housing provident fund contribution and thus, if we only pay the housing provident fund contributions for those employees who elect to make their own contributions in

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the future will still constitute a non-compliance of the relevant PRC laws and regulations even if the rest of the employees have elected not to make any housing provident fund contribution of their own. As such, our Directors undertake to persuade all existing employees to pay their housing provident fund contributions so that our Group can make corresponding housing provident fund contributions for them. We will also enhance the awareness of our employees about the importance of participation in housing provident fund schemes. In this connection, our Directors are confident that all employees whose place of origin was in the urban areas of Yichun City or Yiwu City would agree to make housing provident fund contributions by September 2015 so that our Group can make corresponding housing provident fund contributions for them at the same time.

The status of our employees' payment of housing provident fund contributions as at the Latest Practicable Date is as follows:-

Name of the Subsidiary	Number of employees as at the Latest Practicable Date	Number of employees whose place of origin was in the relevant urban areas ("urban employees")	Number of urban employees who had paid the housing provident fund contributions	Number of employees whose place of origin was outside the relevant urban areas ("non-urban employees")	Number of non-urban employees who had paid the housing provident fund contributions
Jiangxi Styler	1,334	280	280	1,054	159
Yiwu Partytime	386	95	73	291	45
Yiwu Styler	155	30	19	125	27
Total	<u>1,875</u>	<u>405</u>	<u>372</u>	<u>1,470</u>	<u>231</u>

Note: We had received waiver letters from 1,752 of our employees to the effect that they voluntarily waived and renounced their rights to the housing provident fund which should be contributed by our Group. Out of these 1,752 employees, 486 employees has started making housing provident fund contributions from June 2015 onwards.

The Directors further noted that the amount of unpaid housing provident fund contributions amounted to approximately RMB5.9 million, RMB6.8 million, RMB7.8 million and RMB1.6 million during the Track Record Period. The amount of unpaid housing provident fund contributions is expected to be approximately RMB7.9 million for the year ending 31 December 2015. Despite the above and given that our Group had stable operating cashflows and sufficient cash and cash equivalents during the Track Record Period, our Directors confirm that it would not cause any material adverse effect to our Group's operations and financial performance if our Group is required by the relevant competent authorities in the PRC to pay the unpaid housing provident fund contributions and impose any penalty on our Group in the future.

However, since (i) we have received letters from competent authorities of housing provident fund confirming that they allow us to contribute the housing provident fund in connection with our employees based on the existing practice and ratification in the future; (ii) the competent authorities of housing provident fund had never asked and confirmed that they would not ask us to contribute any unpaid housing provident fund contribution and impose any penalty on us in respect of any breach of PRC law and regulation in relations to the housing provident fund in

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the future; (iii) we received waiver letters from the employees who chose not to make their own housing provident fund contributions indicating that they voluntarily waived and renounced their rights to the housing provident fund contributions absolutely, which were supposed to be contributed by us, and released us from claims in connection with the housing provident fund contributions in future. Our PRC Legal Advisers advised that the likelihood that we will be fined or will be required by the relevant housing provident fund authority to pay the unpaid housing provident fund contributions in future is minimal. In this connection, our Directors therefore take the view that our Group shall not be required by the competent authorities to pay the unpaid housing provident fund contributions or penalty in future.

Having taken into account the above factors, the possibility of incurring potential liability involving outflow of resources is remote and minimal, and hence do not meet the recognition condition as set out in Hong Kong Accounting Standard 37 “Provisions, Contingent Liabilities and Contingent Assets”, our Reporting Accountants are of the view that no provision should be made.

For further details, please refer to the section headed “Business — Legal and Compliance — Non-Compliance Matters” in this prospectus.

MARKET AND COMPETITION

According to the CRI Report, cosplay costumes, cosplay wigs and sexy lingerie markets in the PRC and worldwide are fragmented with a large number of players operating on varying scales and models. Fragmentation, coupled with considerably loose regulatory hurdles in these markets, have enabled relatively easy and hence frequent entry of newcomers. Continual fragmentation, however, also suggests that most of the existing players have yet achieved significant market presence due to certain expansionary constraints and market barriers.

The cosplay costumes and sexy lingerie markets in the PRC, in particular, consist of a large number of primitively equipped small and medium-sized enterprises (SMEs). Attempting to capture larger shares in the continually consolidating markets, many of the more established manufacturers are growing along such directions as (i) shifting towards the provision of manufacturing solutions supported by technological advancement and increasing capabilities in research and development whereby we can design, develop, produce, sell and market cosplay products and non-cosplay products including mainly sexy lingerie for our customers; (ii) further integration and growth along the supply chain; (iii) development of self-owned brands and strengthening access to end-customers via online sales channels; and (iv) collaborative ventures with international brands and international expansion. Strategically ahead of market trends and industry norms, we believe we are one of the well-equipped players to capture the pie in the growing and consolidating cosplay costumes and sexy lingerie markets in the PRC.

According to CRI Report, in 2014, the global market of cosplay costumes and cosplay wigs are approximately US\$11.7 billion and US\$561.5 million in size respectively.

The industries of wigs, animation costumes and sexy lingerie are all characterised by (i) immense competition amongst a large number of moderately-sized players, who are mainly competing on the front of exports; and (ii) a general lack of scalable, focused and highly

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innovative enterprises due to such factors as (a) limited room for production standardisation by the nature of cosplay products (as opposed to traditional garments), (b) fluctuating and varying seasonal demands and consumer preferences which moderately-sized manufacturers find costly to accommodate, (c) substantial technical and technological input as well as capital investments required to enable standardised, mass production of high-end wigs and costume products and (d) stringent international standards and requirements over exported products.

According to the CRI Report, there are currently more than 1,000 players in the market of cosplay costume in the PRC and we ranked the third with revenue of approximately RMB181.0 million in 2014 (equivalent to approximately 0.5% of the total market share). The top five players occupied, by aggregation, only an approximate 3.2% of the market share by sales revenue.

The cosplay wig market in the PRC is made up of hundreds of SMEs with an average annual sale of not more than RMB10 million. We came on top in terms of revenue in 2014 by approximately RMB180 million (equivalent to approximately 6.3% of the total market share). The top five players occupied, by aggregation, only an approximate 10.2% of the market share by sales revenue.

The sexy lingerie market in the PRC tends to be highly dispersed with more than 1,000 players (mostly SMEs with average annual sales of not more than RMB10 million). We ranked second in the PRC sexy lingerie market by sales revenue of approximately RMB37.0 million in 2014 (equivalent to approximately 0.5% of the total market share). The top five players in the market together occupied, by aggregation, only an approximate 2.6% of the market share by sales revenue.

According to the CRI Report, the key entry barriers to the cosplay costumes, cosplay wigs and sexy lingerie markets in the PRC include, among others, environmental compliance, extensive network of customers and economics of scale. New market entrants without considerable capacities and a competitive track record would often face obstacles in obtaining customer acceptance. Our Group has two key advantages over its competitors, including (i) good relationships with customers as one of the few manufacturers that can design, develop, produce, sell and market cosplay products and non-cosplay apparels; and (ii) strong innovative and research and development capabilities — our Group is well-equipped with creative capacities, experienced talents and advanced technologies, and can swiftly anticipate, identify and respond to the fast-evolving trends and rapidly changing consumer preferences.

As such, we continue to provide and improve our service platform by leveraging on our advanced technologies and our research and development capabilities. Our value-added services will continue to differentiate us from the majority of market players who concentrate mainly on OEM productions. We also continue to place emphasis on our standards and qualities in order to sustain our base of loyal customers, which will be one of our strongest edge against newcomers. We strive to develop our own brands and focus on the mass market, which well positions us to capture significant growth opportunities in terms of domestic consumer demands and further distinguish us from the majority of export-focused enterprises in the market.

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For further detail on the competitive landscape of the industry in which we operate, please refer to the section headed “Industry Overview” in this prospectus.

PROPERTIES

We occupy certain properties in the PRC in connection with our business operations. These properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules. They include mainly premises for our offices, factories, warehouses and employee dormitories. Since there is a single property with a carrying amount of 15% or more of our total assets, this prospectus is not exempted from compliance with requirements under Chapter 5 of the Listing Rules and section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, both of which require a valuation report with respect to all of our interests in land or buildings. Furthermore, our Directors are of the view that inclusion of a valuation report with respect to all of our interests in land or buildings can provide a better understanding to our investors in connection with our business operations.

The texts of a letter, a summary on valuation and valuation certificates of our Group’s owned properties prepared by Jones Long LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, are set out in Appendix III to this prospectus.

Owned Properties

As at the Latest Practicable Date, we owned and occupied five parcels of land in the PRC with a total site area of approximately 101,188.3 sq.m.. As advised by our PRC Legal Advisers, we have obtained land use right certificates for all of these properties. We use these properties primarily as offices, factories, warehouses and dormitories for our employees. For details of our owned properties, please refer to “Property Valuation” as set out in Appendix III to this prospectus.

As at the Latest Practicable Date, we owned 16 buildings and office units within our two production plants in the PRC. We use these properties primarily for production and operational use and for office purposes. We have obtained title certificates for all of these buildings and office units in China.

On 19 June 2012, we pledged four buildings forming part of the Yichun Production Plant to Industrial and Commercial Bank of China (“ICBC”) as security for the facility granted to us, and we are required to obtain the consent of ICBC before transferring, selling, leasing, mortgaging or otherwise disposing of the buildings.

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On 8 April 2013, we pledged two parcels of land and three buildings forming part of the Yichun Production Plant to ICBC as security for the facility granted to us, and we are required to obtain the consent of ICBC before transferring, selling, leasing, mortgaging or otherwise disposing of the lands and buildings.

On 5 March 2014, we pledged a parcel of land in Yiwu Production Plant to Yiwu United Rural Bank as security for the facility granted to us, and we are required to obtain the consent of Yiwu United Rural Bank before transferring, selling, leasing, mortgaging or otherwise disposing of the land.

On 6 August 2015, we pledged two parcels of land and three buildings forming part of our Yichun Production Plant to Agricultural Bank of China as security for the facility granted to us, and we are required to obtain the consent of Agricultural Bank of China before transferring, selling, leasing, mortgaging or otherwise disposing of the land and the building.

Leased Properties

During the Track Record Period, we had leased two properties in Yiwu City from the Independent Third Parties as our production facilities, office and dormitory in Yiwu City. The particulars of these two leased properties are as follows:

Address	Gross floor area	Rental	Term
No. 15, Jing'er Road, Beiyuan Industrial Area, Yiwu City	8,560 sq. m.	RMB1,650,000.00	From 1 January 2014 to 31 January 2015
No. 15, Jingle Road, Beiyuan Industrial Area, Yiwu City	8,560 sq. m.	RMB1,626,360.00	From 1 January 2013 to 31 December 2013
No. 15, Jingle Road, Beiyuan Industrial Area, Yiwu City	6,095 sq. m.	RMB1,005,600.00	From 1 January 2012 to 31 December 2012
No. 8, Danchen 2nd Road, Beiyuan Industrial Area, Yiwu City	4,048.75 sq. m.	RMB612,505.60	From 1 March 2014 to 28 February 2015
No. 8, Danchen 2nd Road, Beiyuan Industrial Area, Yiwu City	4,048.75 sq. m.	RMB612,505.60	From 1 March 2013 to 28 February 2014
No. 8, Danchen 2nd Road, Beiyuan Industrial Area, Yiwu City	4,048.75 sq. m.	RMB621,094.08	From 1 March 2012 to 28 February 2013

INTELLECTUAL PROPERTY

Patents

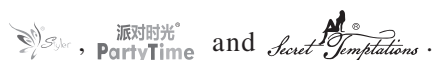
We owned a number of patents in respect of the technologies concerning the production and packaging of our products. As at the Latest Practicable Date, we have registered 19 patents and

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have one pending patent application. As our research and development department expands, we expect to register for more patents. For details of the patents developed and owned by our Group, please refer the paragraph headed “Business — Research and Development” in this prospectus.

Trademarks

As at the Latest Practicable Date, we registered the following trademarks in the PRC which we believe are material to our business:



As at the Latest Practicable Date, we registered “” in the US and Japan as well. We also registered “” and “*Secret Temptations*” under the Madrid Agreement and Protection concerning the International Registration of Marks. The Madrid Agreement is recognised by such countries as Australia, Japan, Republic of Korea, the UK, the US, Benelux, France, Germany and Italy.

As at the Latest Practicable Date, Mr. Chen was in the process of applying for registration of a trademark “” with an independent third party in Japan for the benefit of Jiangxi Styler. Mr. Chen executed a letter of undertaking in favour of our Company on 21 May 2015 pursuant to which Mr. Chen irrevocably and unconditionally undertook that he shall assign and procure the said third party to assign all his interest in such trademark to Jiangxi Styler or its nominee at the consideration of RMB1.00 once such trademark has been successfully registered with the Japan Patent Office in Japan. During the Track Record Period and up to the Latest Practicable Date, such trademark was not used in the production of any of our products nor are there any developing new product of which we plan to utilise such trademark. Our Directors believe that in the event that we are unable to register or procure any interest in such trademark in Japan, there will be no impact on our Group’s business. Moreover, Mr. Chen undertook that, starting from 21 May 2015, he shall not apply for registration or register any trademarks under his own name on behalf of our Company and/or any of its subsidiaries unless otherwise directed and approved by the Board.

Domain names

We have registered four domain names, which include “partystyle.cn”, “partystyler.cn”, “partytime.cn” and “partytime.com.cn”.

Save as the above and the updating of registration of the trademark of “*WithCity*” under our name with the Trademark Office of SAIC, as at the Latest Practicable Date, we did not have any material intellectual property right (whether registered or pending registration) that is significant to our business operations or financial position. In general, in respect of the products that we supply to our customers in our sales business and their specified characters, we do not retain the intellectual property rights relating to these products.

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As at the Latest Practicable Date, we had not engaged in, and were not aware of, any litigation or legal proceeding for violation of intellectual property rights or any material violation of any intellectual property rights owned or allegedly owned by any third party.

Further information about our intellectual property is set forth in Appendix V headed “Statutory and General Information” to this prospectus.

HEALTH AND OCCUPATIONAL SAFETY

We have implemented measures in both Yichun Production Plant and Yiwu Production Plant to promote occupational health and safety and to ensure compliance with applicable laws and regulations. We published booklets on occupational health and safety for circulation among our employees to raise their awareness on the subject. We have established a series of safety guidelines, rules and procedures concerning different aspects of our production activities, including fire safety, warehouse safety, work-related injuries and emergency and evacuation procedures.

During the Track Record Period, we did not experience any accident or claim for personal or property damage that, individually or in the aggregate, have had a material effect on our Group’s financial condition and results of operations. As confirmed by our PRC Legal Advisers, we had complied with the applicable national and local health and safety laws and regulations in all material respects, and the relevant PRC authorities have not imposed any sanction or penalty on us for incidents of non-compliance with any health and safety law or regulation in the PRC.

ENVIRONMENTAL PROTECTION

Manufacturing enterprises in the PRC are subject to the Environmental Protection Law of the PRC* (中華人民共和國環境保護法) and other PRC environmental protection laws and regulations. For further detail, please refer to the paragraph headed “Laws and Regulations — Environmental Protection” in this prospectus.

Jiangxi Styler obtained the environmental impact statement and environmental protection inspection opinion from the Environmental Protection Bureau of Yichun City* (宜春市環境保護局) (“Yichun Environmental Protection Bureau”) in relation to the construction of the Yichun Production Plant in 2008. On 26 December 2014, the Environmental Protection Bureau of Jiangxi Yichun Economic Development Zone* (江西宜春經濟開發區環境保護局) (“Development Zone Environmental Protection Bureau”) issued the permit for the discharge of polluted water with effect from 1 January to 31 December 2015. On 14 January 2015, Jiangxi Styler obtained another environmental protection inspection opinion from the Yichun Environmental Protection Bureau which opines that the relevant environmental requirements had been complied with. On 28 April 2015, Jiangxi Styler again obtained another environmental condition statement from the Development Zone Environmental Protection Bureau stating that Jiangxi Styler had complied with all the requirements under the PRC environmental protection laws and regulations and had not been subject to any administrative punishment in relations to environmental protection.

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Yiwu Partytime obtained approval in relations to the relocation of production facilities in 2013 under the environmental impact opinion issued by the Environmental Protection Bureau of Yiwu City* (義烏市環境保護局) (“Yiwu Environmental Protection Bureau”).

We have received two confirmation letters both dated 27 April 2015 from the Yiwu Environmental Protection Bureau confirming that Yiwu Partytime and Yiwu Styler had respectively complied with the relevant PRC environmental laws and regulations in their operations.

Since the commencement of our operations and up to the Latest Practicable Date, we had not been subject to any material penalty or fine imposed by the environmental protection authorities. During the Track Record Period, we did not incur any material cost in compliance with the relevant environmental protection laws and regulations. Based on the past experience of our management, the nature of the industry and future developments of the industry, our Directors believe that our Group’s current environmental conservation facilities are adequate to satisfy the relevant environmental laws and regulations and do not expect any major or significant expenditure to be incurred in this respect.

According to our PRC Legal Advisers, we had complied with all the relevant environmental laws and regulations in the PRC during the Track Record Period. Our Directors also confirmed that we had not violated any environmental law or been subject to any material environmental claim, lawsuit, penalty or administrative sanction, and that operations of our Group have been in compliance with the relevant environmental laws and regulations in the PRC during the Track Record Period and up to the Latest Practicable Date in all material respects.

INSURANCE

According to the regulatory requirements of local governments in the PRC, we maintain insurance that covers work-related personal injury expenses for our employees in the PRC. We also maintain insurance that covers damages on our Yichun Production Plant and Yiwu Production Plant caused by certain accidents and natural disasters such as fire. We generally do not maintain insurance which covers damage on our products unless specifically requested by individual customer.

Our Directors consider that coverage of the insurance policies maintained by us is adequate for our present operations and is in line with industry practice. According to our PRC Legal Advisers, there is no compulsory requirement under the PRC laws for our Group to maintain insurance policies against our operation or product liabilities. Our Group has not had any claim or liability arising from any accident relating to our operations or experienced any material production interruption or product liability accident during the Track Record Period.

During the Track Record Period and up to the Latest Practicable Date, there was no fire, explosion, spill, corrosion, pollution or other unexpected or dangerous accident causing personal injury or death, property damage, environmental damage or business interruption that had a material impact on us.

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BUSINESS ACTIVITIES IN SANCTIONED COUNTRIES

The US government and other jurisdictions, including the EU, the United Nations and the Australia government, have comprehensive or broad economic sanctions targeting the Sanctioned Countries.

During the Track Record Period, we had sold our products to customers in Russia at the time where certain Sanctioned Persons were located. For the three years ended 31 December 2014 and the three months ended 31 March 2015, our revenue derived from sales to customers in Russia accounted for nil, approximately 0.10%, 0.01% and nil respectively of our total revenue.

As advised and based on the following procedures conducted by DLA Piper Hong Kong, our legal adviser as to International Sanctions Laws, our Group's business activities in Russia (where certain Sanctioned Persons are located) during the Track Record Period were not considered sanctioned activities under the International Sanctions Laws and did not implicate the application of International Sanctions Laws on our Group or any person or entity including our Group's investors, the Stock Exchange, the HKSCC and the HKSCC Nominees:

- (i) reviewed documents provided by us evident of our sales transactions with customers in Russia (where certain Sanctioned Persons are located) during the Track Record Period;
- (ii) received written confirmation from us that neither our Group nor any of our affiliates had conducted any business dealing in or with any other country or person that are subject to International Sanctions Laws during the Track Record Period; and
- (iii) reviewed the list of customers to whom our products had been sold during the Track Record Period against the lists of Sanctioned Persons, and confirmed that none of our customers was on such lists.

In relations to our sales to customers in Russia (where certain Sanctioned Persons are located) during the Track Record Period, we have not been notified of any sanction imposed on us. None of the contracting parties was identified on the Specially Designated Nationals and Blocked Persons List maintained by the OFAC or other restricted parties lists maintained by the EU, the United Nations and Australia and were therefore not deemed as sanctioned targets. Our sales do not involve industries or sectors that are currently subject to specific sanctions in the US, the EU, Australia or the United Nations and are therefore not deemed as prohibited activities under International Sanctions Laws.

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Taking into account that our Group's business activities in Russia (where certain Sanctioned Persons are located) are not considered sanctioned activities under the International Sanctions Laws and do not implicate the application of International laws on our Group or any person or entity including our Group's investors, the Stock Exchange, the HKSCC and the HKSCC Nominees, and with the intention to maintain sales revenue and maximise Shareholders' interests, we will continue to carry out the above business activities. Our Directors, however, do not expect any significant increase or decrease in our Group's sales to Russia (where certain Sanctioned Persons are located) upon the Listing.

The Directors and the Sole Sponsor, based on the advice from DLA Piper Hong Kong in the above, are of the view that the risk of sanctions violations as a result of our Group's sales to customers in Russia (where certain Sanctioned Persons are located) during the Track Record Period and in future upon the Listing is remote.

Our undertakings and internal control procedures

We undertake to the Stock Exchange that we will not use the proceeds from the Global Offering, as well as any other funding raised through the Stock Exchange, to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, the Sanctioned Countries, Russia (where certain Sanctioned Persons are located), or any other government, individual or entity sanctioned by the US, the EU, the United Nations or Australia, including, without limitation, any government, individual or entity that is the subject of any OFAC-administered sanction. In addition, we undertake that we will not enter into any sanctionable transaction that would expose our Group, the Stock Exchange, HKSCC, HKSCC Nominees or our Shareholders to any risk of being sanctioned. We will disclose on the respective websites of the Stock Exchange and our Company if we believe that the transactions our Group entered into in Russia (where certain Sanctioned Persons are located) or any other Sanctioned Countries would put our Group or our Shareholders and investors at the risk of being sanctioned. We will also disclose in our annual reports or interim reports our efforts in monitoring our business exposure to sanctions risk, the status of future business, if any, in Russia (where certain Sanctioned Persons are located) or any other Sanctioned Countries and our business intention relating to Russia (where certain Sanctioned Persons are located) or any other Sanctioned Countries. We do not intend to enter into any business transaction in any other Sanctioned Country.

We will continue to monitor and evaluate our business and take measures to protect the interests of our Group and our Shareholders. The following measures have been fully implemented as of the date of this prospectus.

- we would evaluate sanctions risks prior to the determination of whether we should embark on any business opportunity in the Sanctioned Countries and/or with Sanctioned Persons. According to our internal control procedures, we have assigned members of our senior staff to review and approve all relevant business transaction documents from customers or potential customers from Sanctioned Countries and Sanctioned Persons. The designated staff will review information relating to the counterparty of the contract (such as identity, nature of business, etc.) along with the

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draft business transaction documentation. The designated staff will check the counterparty against the various lists of restricted parties and countries maintained by the US, the EU, Australia or the United Nations, including, without limitation, any government, individual or entity that is the subject of any OFAC-administered sanctions which lists are publicly available, and determine whether the counterparty is, or is owned or controlled by, a person located in any of the Sanctioned Countries or a Sanctioned Person. If any potential sanctions risk is identified, we will seek advice from external legal counsel with necessary expertise.

With regard to the internal control measures set out above, and subject to the full implementation and enforcement of these measures, the Sole Sponsor is of the view that these measures will provide a reasonably adequate and effective framework to assist our Company in identifying and monitoring any material risk relating to sanctions laws. Our Directors are of the view that these measures will provide a reasonably adequate and effective framework to assist us in identifying and monitoring any material risk relating to sanctions laws.

LEGAL AND COMPLIANCE

Legal Proceedings

As at the Latest Practicable Date, we were not involved in any litigation, arbitration or claim of any material importance. No litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against us that would have a material effect on our financial condition or results of operations. In particular, our Group had not been subject to any product liability claim during the Track Record Period. Our PRC Legal Advisers have advised and our Directors have confirmed that, saved as disclosed in this prospectus, our Group has complied with relevant laws and regulations in all material respects, including laws and regulations relating to environmental protection, safety, labour and social security, intellectual property rights and properties and has obtained all licenses, approvals and permits from appropriate regulatory authorities for our business operations in the PRC since the commencement of the Track Record Period and up to the Latest Practicable Date.

Our Controlling Shareholders have entered into a Deed of Indemnity, pursuant to which they agreed to, among others, provide an indemnity in favour of our Group from and against all actions, claims, losses, payments, charges, costs, penalties, damages or expenses which we may incur, suffer or accrue, directly or indirectly, that may arise from or in connection with non-compliance incidents as disclosed above in this section.

As at the Latest Practicable Date, we were not involved in any pending, threatened or actual litigation, arbitration or other proceeding which we believe would materially and adversely affect our business and results of operations.

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Non-Compliance Matters

Our PRC Legal Advisers have advised that, during the Track Record Period and up to the Latest Practicable Date, our Group has complied with the relevant PRC laws, rules and regulations in all material respects, including obtaining all the necessary licenses, approvals and permits, except for a number of non-compliance incidents. The non-compliance incidents are set forth below and all of them are considered to be immaterial non-compliances under the Guidance Letter HKEx-GL63-13. As described in the followings, our PRC Legal Advisers have further advised that the chance of retrospective or future imposition of penalties in respect of such incidents is low. Each of our Controlling Shareholders has entered into a Deed of Indemnity with us to provide indemnities in respect of, among others, any claim, cost, penalty, fine, damage, loss, fee, expense and liability which may be incurred or suffered by our Group relating to the non-compliance incidents described below, subject to certain exceptions such as taxes that have been provisioned for in our accounts, as further described in “Statutory and General Information — E. Other Information — 1. Tax and other indemnities” in Appendix V to this prospectus.

No.	Name(s) of entities	Non-compliance incidents and reasons	Relevant laws and regulations, potential sanctions, penalties and other liabilities	Remedial actions and status as of the Latest Practicable Date	Enhanced internal control measures to prevent recurrence of the non-compliance
1.	Jiangxi Styler, Yiwu Partytime and Yiwu Styler	<p>Jiangxi Styler, Yiwu Partytime and Yiwu Styler did not set up a housing provident fund account and pay housing provident fund contributions for all employees in accordance with the applicable PRC laws and regulations before January 2015. Since January 2015, Jiangxi Styler, Yiwu Partytime and Yiwu Styler have registered housing provident fund accounts and paid housing provident fund contributions for certain of its employees. For each of the three years ended 31 December 2014 and the three months ended 31 March 2015, the amount of unpaid housing provident fund contributions for the employees was approximately RMB5.9 million, RMB6.8 million, RMB7.8 million and RMB1.6 million respectively. Jiangxi Styler, Yiwu Partytime and Yiwu Styler did not apply for the registration of housing provident fund or pay for the housing provident fund contributions for the other employees because such employees refused to make their own housing provident fund contributions, for which Jiangxi Styler, Yiwu Partytime and Yiwu Styler would be required to make matching contributions.</p>	<p>According to the Housing Provident Fund Management Regulations* (《住房公积金管理条例》), employers failing to (i) register housing provident fund accounts within 30 days after employment may be subject to a fine ranging from RMB10,000 to RMB50,000; (ii) pay housing provident fund contributions within 30 days after employment may be ordered to make outstanding contributions. The relevant housing provident fund authority may apply to the PRC courts for enforcement of such payments for any further failure to make such payments. Therefore, in addition to the payment of outstanding contributions, we would be subject to a potential maximum fine of RMB50,000.</p>	<p>We had liaised with the relevant employees in order to rectify the non-compliance incident. However, they chose not to make their own housing provident fund contributions. We have received waiver letters from such employees in which they indicated their voluntary renunciation of their rights in the housing provident fund contributions, which should be contributed by our Group. They further agreed to renounce their rights to any potential claim against our Group in respect of the housing provident funds in future.</p> <p>We had also liaised with the relevant housing provident fund authorities in Yichun City and Yiwu City. We received confirmation letters from the relevant housing provident fund authorities on 11 May 2015 and 12 May 2015, confirming that (i) we have duly established a housing provident fund system and paid housing provident funds for our employees; (ii) we are allowed to rectify the payment of the housing provident fund contributions gradually in future; (iii) they will not require us to pay the unpaid housing provident fund contributions and impose any penalty on us for such non-compliance in future; and</p>	<p>To prevent recurrence of the non-compliance, from January 2015 onwards, each of Jiangxi Styler, Yiwu Partytime and Yiwu Styler have set up a housing provident fund account and have been paying adequate contributions to the housing fund for their employees who choose to make their own housing provident fund contributions, who are mainly the employees whose place of origin are located in the relevant urban areas. We did not set up housing provident fund accounts and pay housing provident fund contributions for employees whose places of origin are outside of the relevant urban areas as they had decided not to pay the relevant housing provident fund contributions of their own because their places of origins are outside of the regions where our Group's relevant housing provident funds are located and thus, when they retire, they may not benefit from the housing provident fund.</p> <p>Since May 2015, we have adopted the following measures:</p>
					<p>(i) adopting internal polices to ensure compliance with all regulatory requirements in the PRC, including the procedures to require our human resources department to review periodically the total number of employees who are required to make housing provident fund contributions, and our administration department to review and check against the total number of employees before making payment for the contribution;</p>

No.	Name(s) of entities	Non-compliance incidents and reasons	Relevant laws and regulations, potential sanctions, penalties and other liabilities	Remedial actions and status as of the Latest Practicable Date	Enhanced internal control measures to prevent recurrence of the non-compliance
(ii)		<p>(iv) we had never been penalised by them for any breach of the relevant PRC laws and regulations relating to the housing provident funds.</p> <p>As advised by our PRC Legal Advisers, in light of the confirmation letters issued by the relevant and competent PRC government authorities, the likelihood that we will be fined or will be required by the relevant housing provident fund authority to pay the unpaid housing provident fund contributions is low.</p> <p>In light of the above, we have not made provisions for the underpaid housing fund contributions.</p>		<p>to the extent that their places of origin were located in the relevant urban areas and as far as practicable for these non-urban employees, all incoming employees are required to provide us with their respective housing provident fund registration information. These are mainly employees whose places of origin are located in the relevant urban areas. We will ensure that all our incoming employees whose respective places of origin are in the relevant urban areas would give consent to set up housing provident fund accounts before they join our Group. As for incoming employees whose respective places of origin are outside of the relevant urban areas, we will persuade them to set up housing provident fund accounts upon joining our Group. If such employees refuse to set up housing provident fund accounts, we will arrange for them to sign waiver letters immediately to confirm their voluntary renunciation of their rights to the housing provident funds when they sign their employment contracts. At the same time, our administration department will complete all formalities regarding cessation of payment of housing provident fund contribution for all outgoing staff insofar as they have paid housing provident fund contribution;</p>	

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No.	Name(s) of entities	Non-compliance incidents and reasons	Relevant laws and regulations, potential sanctions, penalties and other liabilities	Remedial actions and status as of the Latest Practicable Date	Enhanced internal control measures to prevent recurrence of the non-compliance
					<p>(iii) enhancing the awareness of our employees with respect to the importance of participation in housing provident fund schemes by regularly reminding them to make their part of contributions;</p> <p>(iv) to the extent to those employees who are willing to pay housing provident fund contributions, conducting internal checking from time to time to ensure that we have paid housing provident fund contributions in accordance with the relevant PRC laws and regulations; and</p> <p>(v) seeking advice from external legal advisers on the latest requirements of applicable laws and regulations of the PRC.</p>

No.	Name(s) of entities	Non-compliance incidents and reasons	Relevant laws and regulations, potential sanctions, penalties and other liabilities	Remedial actions and status as of the Latest Practicable Date	Enhanced internal control measures to prevent recurrence of the non-compliance
2.	Jiangxi Styler	<p>The previous contents of the website of the “WithCity” e-shops contained the Inaccurate Representations.</p> <p>The contents of the “WithCity” e-shops with respect to the Group’s OBM products are maintained by external service provider (the “Service Provider”) engaged by the Group. The Service Provider is responsible for designing and maintaining the “WithCity” e-shops websites as instructed by the Group. To launch Garaku’s brands on the “WithCity” e-shops, the Group’s marketing staff instructed the Service Provider to upload the logos of Garaku’s brands and present such brands as owned by Garaku on the “WithCity” e-shops. However, the Service Provider mistakenly assumed Garaku owns both the brands and the “WithCity” e-shops. Also, the Service Provider, in ignorance of the relevant intellectual property implications, aligned the logos of Garaku’s brands with the Group’s own brand of “Secret Temptations”, which gave the impression that “Secret Temptations” is also owned by Garaku. The Group inadvertently failed to identify the inaccuracy of the content and make immediate rectification in a timely manner.</p> <p>The Directors believed that the incident was due to miscommunication between the marketing staff and the Service Provider.</p>	<p>According to the Consumer Protection Law in the PRC, consumers must be provided with authentic information without false or misleading propaganda concerning the quality and use of commodities or services provided to them and according to our PRC Legal Advisers, if a merchant provides inaccurate information with fraudulent intent or manner in the course of its provision of goods or services to consumers, the merchant may be liable to compensating the consumer with a sum up to three times of the amount that the consumer had paid for such goods or services, which in any event shall not be less than RMB500.</p>	<p>The contents of the website of the “WithCity” e-shops had been duly rectified on or around late June 2015. In order to avoid any misunderstanding by our customers, it is clearly specified on the websites of the “WithCity” e-shops that (i) all products sold thereon are under the brand “WithCity”; (ii) the display of our other brands such as “Party Time”, “Styler” and “Secret Temptations” is for promotion only and there are no products of such brands sold on the “WithCity” e-shops; and (iii) the display of the names of Garaku and its brands on the “WithCity” e-shops is for promotional purpose only and there are no products of Garaku sold via the “WithCity” e-shops. On the basis of our Directors’ confirmation, according to the documents in relations to the sale of the products via the “WithCity” e-shops during the Track Record Period and visits paid to the website of the “WithCity” e-shops, (a) products sold via the “WithCity” e-shops were specified to be under the brand “WithCity” (to which we are authorised to use) since the commencement of operation of the “WithCity” e-shops; (b) our Group had never sold any product under the brand “Secret Temptations” or our other brands such as “Party Time” and “Styler” via the “WithCity” e-shops during the Track Record Period notwithstanding the Inaccurate Representations; (c) the Inaccurate Representations is the sole major misrepresentation on the website thereof; (d) the Inaccurate Representations had been removed from the websites of the “WithCity” e-shops and the contents thereof had been duly rectified;</p>	<p>To prevent recurrence of the non-compliance, the Group will closely monitor the accuracy of the contents disclosed on the website of the “WithCity” e-shops. The internal control measures to be adopted include: the head of the marketing department will be responsible for liaising with the Service Provider; any change or update to the contents of the website of the “WithCity” e-shops shall be approved by the chief executive officer of the Group before the instructions are given to the Service Provider; the Service Provider shall provide the proposed revised contents and layout to the Group before uploading; the head of the marketing department shall present and obtain approval of the said revised content and layout from the chief executive officer of the Group and the head of marketing shall authorise the Service Provider to proceed with uploading after approval from the chief executive officer of the Group is obtained. A designated senior staff in the marketing department shall be assigned to monitor and ensure the accuracy of the contents of the website of the “WithCity” e-shops from time to time.</p>

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No.	Name(s) of entities	Non-compliance incidents and reasons	Relevant laws and regulations, potential sanctions, penalties and other liabilities	Remedial actions and status as of the Latest Practicable Date	Enhanced internal control measures to prevent recurrence of the non-compliance
				<p>and (e) our Controlling Shareholder, Mr. Chen, had undertaken to indemnify our Group for all such damages and losses suffered by our Group in the event that our Group is held liable for the damages and losses suffered by our customers as a result of the Inaccurate Representations on the “<i>WithCity</i>” e-shops, our PRC Legal Advisers advised that the risk that our Group will be subject to any material liability claim which will materially and adversely affect our operation is rather remote.</p> <p>Our PRC Legal Advisers further advised that, notwithstanding the fact that the “<i>WithCity</i>” e-shops do not sell any branded products of Garaku, the current display of the names and brands of Garaku on the “<i>WithCity</i>” e-shops for promotional purpose does not violate any relevant PRC law and regulation.</p>	

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On-going compliance measures

To prevent the recurrence of the abovementioned non-compliance incidents and to ensure ongoing compliance with the relevant laws and regulations by our Group, we have implemented the following internal control measures:

- (i) we will continue to pay housing provident fund contributions for our employees in so far as they choose to make their own housing provident fund contributions, who are mainly with places of origin at the relevant urban areas pursuant to the applicable requirements in the PRC and the existing requirements of the local government in the PRC;
- (ii) we will continue to persuade those employees who have elected not to make any housing provident fund contributions of their own to pay such housing provident fund contributions so that our Group can make corresponding housing provident fund contributions for these employees in the future;
- (iii) we have appointed China Investment Securities International Capital Limited as compliance adviser to advise on ongoing compliance requirements and other issues under the Listing Rules and other applicable laws and regulations in Hong Kong;
- (iv) our Group will retain a PRC legal counsel to regularly advise our Group in relations to PRC legal and regulatory compliance matters concerning our Group as a whole including without limitation of the Housing Provident Fund Management Regulations* (住房公積金管理條例) and, if necessary, the updated status of our extent of compliance with such the Housing Provident Fund Management Regulations* (住房公積金管理條例) will be disclosed in our annual reports and interim reports in the future; and
- (v) our Group has established an audit committee comprising of all independent non-executive Directors to oversee the financial reporting and internal control procedures of our Group and review our internal control system.

In relation to our failure to make contributions to housing provident fund in full, we have adopted the following measures since May 2015 to prevent the recurrence of similar non-compliance incidents since May 2015:

- (i) adopting internal polices to ensure compliance with all regulatory requirements in the PRC, including the procedures to require our human resources department to review periodically the total number of employees who are required to make housing provident fund contributions, and our administration department to review and check against the total number of employees before making payment for the contribution;

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- (ii) incoming employees are required to provide us with their respective housing provident fund registration information. We will ensure that all our incoming employees whose respective places of origin belong to the relevant urban areas eligible for the setting up of housing provident fund accounts before they join our Group. As for incoming employees whose respective places of origin are outside the relevant urban areas, we will persuade them to set up housing provident fund accounts upon joining our Group. If such employees refuse to set up housing provident fund accounts, we will arrange them to sign waiver letters immediately to confirm their voluntary renunciation of their rights to the housing provident funds when they sign their employment contracts. At the same time, our administration department will complete all formalities regarding cessation of payment of housing provident fund contribution for all outgoing staff;
- (iii) enhancing the awareness of our employees with respect to the importance of participation in housing provident fund schemes by regularly reminding them to make their part of contributions;
- (iv) conducting internal checking from time to time to ensure that we have paid housing provident fund contributions in accordance with the relevant PRC laws and regulations; and
- (v) seeking advice from external legal advisers on the latest requirements of applicable laws and regulations of the PRC.

To ensure that the trademarks or the designs and specifications provided by or developed with our customers do not infringe third party's intellectual property rights during the course of business, we have implemented the following internal control measures as of the date of prospectus:

For trademarks, designs or specifications provided by our CMS customers:

- (i) obtain the relevant certificates, licences or authorisations to check if our customers have the right to authorise us to manufacture products with the relevant trademarks, designs or specifications;
- (ii) our sales department, research and development department or other relevant departments will check the trademarks, designs or specifications against our internal database or online databases maintained by intellectual property rights registries in various countries to ascertain the owner of the intellectual property right; external legal counsel will be consulted if necessary; and
- (iii) incorporate terms in agreements with our customers and require them to, among others, (i) undertake that it is the registered owner/authorised licensee of the registered owner of the trademarks, designs or specifications; (ii) hold us harmless from and against any and all third party claims and any associated cost, including legal costs, arising from the use of the products sold by our customers.

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For the designs and specifications developed with our customers or for the designs and specifications of our OBM products:

- (i) our sales department, research and development department or other relevant departments will check the designs and specifications against our internal database or online databases maintained by registries in various countries to ascertain the owner of the intellectual property right; external legal counsel will be consulted if necessary; and
- (ii) if the intellectual property right belongs to our client according to the agreement, we shall obtain their written authorization to produce the products. Otherwise we shall consider submitting application for registration of the designs and specifications to protect our intellectual property rights.

For the accuracy of contents shown on the websites maintained by our Service Provider:

- (i) the head of the marketing department will be responsible for liaising with the Service Provider;
- (ii) any change or update to the contents of the website shall be approved by the chief executive officer of the Group before giving instructions to the Service Provider;
- (iii) the Service Provider shall provide the proposed revised contents and layout to the Group before uploading;
- (iv) the head of the marketing department shall present and obtain approval of the said revised content and layout from the chief executive officer of the Group and the head of marketing shall authorise the Service Provider to proceed with uploading after approval from the chief executive officer of the Group is obtained;
- (v) a designated senior staff in the marketing department shall be assigned to monitor and ensure accuracy of the contents of the website from time to time.

Based on the above, our Directors are of the view that our Group has taken reasonable steps to establish an internal control system and procedures to enhance its control on both working and management levels and that the above remedial measures and on-going compliance measures are sufficient and effective in preventing similar non-compliance incidents from re-occurring in the future. In light of the above preventive measures and its effectiveness, the Sole Sponsor is of the view that our Group has adequate and effective internal control procedures in place the non-compliance incidents do not have any material impact on the suitability of our Directors under Rule 3.08 and 3.09 of the Listing Rules and our suitability for listing under Rule 8.04 of the Listing Rules.

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AWARDS AND CERTIFICATIONS

During the Track Record Period and up to the Latest Practicable Date, we had received numerous awards and certifications in recognition of our achievements, which include but are not limited to the following major awards and certifications of Jiangxi Styler.

Date of awards and certifications	Awards/Certificates	Awarding authority
2011	Notable Trademark of Jiangxi Province* (江西省著名商標)	Jiangxi Province Administration for Industry and Commerce* (江西省工商行政管理局)
2013	Advanced Enterprise of Foreign Trade Export* (外貿出口先進企業)	Yichun Municipal Government* (宜春市政府)
	Jiangxi Province Cultural Industry Demonstration Base* (江西省文化產業示範基地)	Jiangxi Province Bureau of Culture (江西省文化廳)
29 August 2013	Work Safety Standardisation Certificate* (安全生產標準化證書)	Jinhua City Administration of Work Safety* (金華市安全生產監督管理局)
4 November 2013	Global Security Verification	Intertek
2014	ISO 9001:2008 Quality Management System Certification Certificate	Beijing Zhong Da Hua Yuan Certification Centre* (北京中大華遠認證中心)
2014	Vice Chairman Enterprise of Jiangxi Province Cultural Enterprise Association* (江西省文化企業協會副會長單位)	Jiangxi Province Cultural Enterprise Association* (江西省文化企業協會)
2014	Excellent Enterprise of Yichun* (宜春市優秀企業)	Industry and Information Technology Commission of Yichun* (宜春市工業和信息化委員會), Yichun Enterprise Confederation* (宜春市企業聯合會) and Yichun Entrepreneurs Association* (宜春市企業家協會)

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Date of awards and certifications	Awards/Certificates	Awarding authority
March 2014	Innovative Award* (創新獎)	East China Import & Export Goods Trade Fair* (中國華東進出口商品交易會)
December 2014	Jiangxi Top Brand* (effective from December 2014 till December 2017) (江西名牌產品，有效期自2014年12月至2017年12月)	Jiangxi Province Bureau of Quality and Technical Supervision* (江西質量技術監督局)
29 December 2014	National Cultural Industry Demonstration Base* (國家文化產業示範基地)	Ministry of Culture of the People's Republic of China* (中華人民共和國文化部)
6 February 2015	ISO14001:2004 Environment Management System Certification Certificate	Beijing Zhong Da Hua Yuan Certification Centre* (北京中大華遠認證中心)
	OHSAS18001:2007 Occupational Health and Safety Management System Certification Certificate	Beijing Zhong Da Hua Yuan Certification Centre* (北京中大華遠認證中心)
March 2015	2014 Yichun City E-commerce Demonstration Enterprise* (2014年度宜春市電子商務示範企業)	Yichun City Service Industry Development Office* (宜春市服務業發展辦公室)

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The following discussion and analysis of the Group's financial condition and results of operations should be read in conjunction with the combined financial information as at and for the years ended 31 December 2012, 2013 and 2014 and the three months ended 31 March 2015 and the accompanying notes included in the Accountants' Report set out in Appendix I to this prospectus. The Accountants' Report has been prepared in accordance with HKFRSs, which differ in certain significant respects from generally accepted accounting principles in certain other countries. Potential investors should read the whole of the Accountants' Report set out in Appendix I to this prospectus and not rely merely on the information contained in this section. Any discrepancies in any table or elsewhere in this prospectus between totals and sums of amounts listed herein are due to rounding. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. For additional information regarding these risks and uncertainties, please refer to the section headed "Risk Factors" in this prospectus.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

We design, develop, produce, sell and market cosplay products (including cosplay costumes and cosplay wigs) and non-cosplay apparels including mainly sexy lingerie. According to the CRI Report, in 2014, we were (i) the largest manufacturer of cosplay wigs; (ii) the third largest manufacturer of cosplay costumes; and (iii) the second largest manufacturer of sexy lingerie, in the PRC in terms of sales revenue.

Our business can be classified into two major categories, namely CMS business and OBM business. The following table sets forth the revenue of our respective CMS and OBM business for each of the three years ended 31 December 2014 and the three months ended 31 March 2015:

	For the year ended 31 December						For the three months ended	
	2012		2013		2014		31 March	
	RMB'000	% RMB'000	RMB'000	% RMB'000	RMB'000	% RMB'000	RMB'000	%
CMS business	194,249	79.0	231,888	77.6	324,588	81.6	71,709	73.6
OBM business	51,576	21.0	66,864	22.4	73,335	18.4	25,684	26.4
Total	<u>245,825</u>	<u>100.0</u>	<u>298,752</u>	<u>100.0</u>	<u>397,923</u>	<u>100.0</u>	<u>97,393</u>	<u>100.0</u>

For the three years ended 31 December 2014 and the three months ended 31 March 2015, our revenue was approximately RMB245.8 million, RMB298.8 million, RMB397.9 million and RMB97.4 million, respectively; and for the same periods, our profit after tax was approximately RMB29.8 million, RMB37.2 million, RMB58.6 million and RMB12.6 million, respectively.

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For further information about our business and operations, please refer to the section headed “Business” in this prospectus.

BASIS OF PRESENTATION OF FINANCIAL INFORMATION

The financial information of our Group has been prepared by our Directors based on the combined financial statements of our Group prepared in accordance with HKFRSs issued by the HKICPA, on the basis set out in note 1 to the Accountants’ Report set out in Appendix I to this prospectus, with no adjustments thereto.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations are subject to the influence of numerous factors, the most significant of which are set out below:

Changes in the economic conditions of our export destinations

Any change in market demand levels for our products both in our export destinations may have a significant effect on our financial condition and results of operations. We have established a sales network in over 30 countries and regions around the globe as at the Latest Practicable Date. During the Track Record Period, approximately 96.6%, 98.3%, 98.4% and 96.9% of our revenue, respectively, was generated from sales to overseas customers. Thus, we rely heavily on our export sales, and our financial performance may therefore be tied to the fluctuations in the global economy.

Our Directors expect that our results of operations will continue to be significantly affected by economic conditions in our export destinations such as the U.S. and other developed countries. Any future slowdown or decline in the economy or consumer spending in such locations may adversely affect our business and results of operations.

Our ability to assess and react to changes in consumer demand, preferences and tastes

While product quality and price are key factors affecting our relationship with our customers, other factors such as our performance track record, including on-time service delivery, tailor made services provided and operational efficiency will also have an impact. The overall quality of the relationship between our customers and us is important for business retention and generation, and it can be leveraged upon to increase our profitability. In the event that any of our customers significantly reduce their purchases from us or our business relationship with them terminates, we may not be able to maintain the same sales volume.

In addition, our growth is strengthened by the expansion of our CMS and OBM business which depends on consumer demand, preferences and tastes for our products in our export destinations and our PRC market and the level of consumer demand is dependent on the general economic growth of our export destinations and our PRC domestic market, the level of household disposable income and the consumption preferences of our target customers.

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Our products are consumer products which are significantly affected by consumer preferences and tastes. We need to keep up with changes in consumer preferences and tastes in order to maintain our market share and profitability. Our ability to assess and react to changes in consumer demand, preferences and taste will directly affect our business and results of operations.

Our customer mix

Our revenue and profitability are affected by our customer mix. Each customer may have different specifications and requirements. Although revenue derived from our top five customers to the revenue remained relatively stable being approximately 27.4%, 28.2% and 31.1% and 33.6% for each of the three years ended 31 December 2014 and the three months ended 31 March 2015 respectively, our top five customers mix vary year by year and it may be attributable to the wide product variety of cosplay costumes, cosplay wigs and sexy lingerie and in fast-evolving trends. Particularly, for the three months ended 31 March 2015, customer G, customer H, customer I and customer J were not included in the top five customers for the three years ended 31 December 2014. Although the abovementioned customers had in average over six years of business relationships with us and all of them fell into the top 20 customers during the Track Record Period, as different customers require different products, changed in our customers profile will continue to affect the relative contribution of our Group's different types of products to our revenue and gross profit.

Pricing of our products

In general, competition and demand affect the pricing of our products. Any changes in the selling price of our CMS and OBM products in the future may have an impact on our profitability and financial condition.

The price of our products are determined by reference to a number of factors, including but not limited to production costs, costs of raw materials, exchange rate consideration, complexity of the manufacturing process, lead time, packaging requirements and the size of the order. Other than the OBM products sold through direct sales channels by the "WithCity" e-shops in the PRC, our OBM products tend to be moderately priced as our target markets are primarily fast-growing developing countries including Brazil, Russia and Argentina.

Going forward, our ability to continue providing high quality products with strong functionality is crucial to gaining and keeping customers' business, as is the pricing of our CMS products at competitive levels.

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Seasonality

Our sales did not experience abrupt changes during the year due to geographical diversification of our customers and our extensive range of products catering for different purposes and for festivals and carnivals that take place throughout the year (including Christmas, Easter, Valentine's Day and Halloween) although we typically experience comparatively lower sales in the January to April each year due to (i) our reduced business activities and closure of our production plants around the Chinese New Year holiday which fall in January or February of the year; (ii) the purchase patterns of our customers that they generally place their orders around third quarter of the year given that, based on our Directors' observations, our customers place more purchasing orders with us in that quarter in anticipation of stronger market demands for cosplay products for the festive seasons in the fourth quarter of the year and the first quarter of the following year.

Supply and pricing of raw materials

Our ability to source a steady supply of raw materials at reasonable prices is one of the key factors affecting our results of operations. Raw materials of our Group include mainly fabrics, synthetic fibres, wig cap, hair accessories, packaging materials and costume accessories. We procure raw materials for our production. Our cost of raw materials amounted to approximately RMB125.3 million, RMB152.0 million, RMB197.9 million and RMB47.3 million for the three years ended 31 December 2014 and the three months ended 31 March 2015, respectively, representing approximately 68.8%, 69.4%, 68.9% and 67.2% of our total cost of sales for the same periods. Any increase in the cost of raw materials will affect our cost of sales.

During the Track Record Period, we did not enter into any long-term supply contracts with our raw material suppliers because we wish to retain the flexibility to choose a supplier that provides us with relatively competitive price on raw materials. We did not have any hedging facilities to minimise the risk of raw materials price fluctuation. As a result, the costs of our principal raw materials will be subject to market fluctuation.

Our performance in the future will depend on our bargaining power with our suppliers and our ability to pass such increases on to our customers. If we are unable to pass on the increased costs to our customers in the future, our business, financial results and results of operations may be materially and adversely affected.

Direct labour cost

Our cost of sales is influenced by changes in direct labour cost in the PRC. In addition to inflation and other factors, the implementation of certain policies, such as the PRC Labour Contract Law* (中華人民共和國勞動合同法), may affect direct labour cost in the PRC. For the three years ended 31 December 2014 and the three months ended 31 March 2015, our direct

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labour cost accounted for approximately 24.4%, 23.8%, 20.1% and 17.9% of our total cost of sales, respectively. If direct labour cost increase and we are unable to pass such increases on to our customers in a timely manner, our business, financial condition and results of operations may be materially and adversely affected.

Fluctuation in foreign currency exchange rate

Approximately 96.6%, 98.3%, 98.4% and 96.9% of our revenue for the three years ended 31 December 2014 and the three months ended 31 March 2015, respectively, was derived from our export sales which were denominated in U.S. dollars. As a result, we are exposed to foreign currency exchange rate risks. Renminbi appreciated/(depreciated) 0.2%, 3.0%, (0.4)% and (0.4)% against U.S. dollars for the three years ended 31 December 2014 and the three months ended 31 March 2015 respectively. Our revenue and financial results may be significantly affected by foreign currency exchange rate fluctuations in relation to the export sales and depend on our ability to fully adjust the selling prices of the products to our overseas customers.

Competition

We operate in a moderately concentrated market with many other manufacturers of cosplay products (including cosplay wigs and cosplay costumes) and non-cosplay apparels including mainly sexy lingerie in the PRC. The Directors believe that our success depends on, amongst others, our ability to compete effectively against our competitors on product quality, particularly in reliance of our experience. However, there is no assurance that our competitors would not develop more advanced techniques that produce higher quality products at costs lower than those of us. We may be required to adjust our pricing strategy, provide sales incentives or increase capital expenditure which may negatively affect our financial performance in order to maintain our competitiveness in light of competition from existing and potential manufacturers in the animation derivative industry and the sexy lingerie industry.

KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future and other key sources of estimation uncertainty as at the end of each reporting period, that could have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are set out in note 3 of the Accountants' Report set out in Appendix I to this prospectus.

CRITICAL ACCOUNTING POLICIES

We have identified certain accounting policies that are significant to the preparation of our financial information. These significant accounting policies are important for an understanding of our financial condition and results of operation and are set forth in note 2 of the Accountants' Report set out in Appendix I to this prospectus. The following paragraphs discuss certain significant accounting policies applied in preparing our Group's financial information.

FINANCIAL INFORMATION

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sales of goods and the use by others of our assets yielding interest. Provided it is probable that the economic benefits will flow to us and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

Sales of goods are recognised upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customers has accepted the goods.

Interest income is recognised on a time-proportion basis using the effective interest method.

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Depreciation is provided to write off the cost less their residual values over their estimated useful lives, using the straight-line method, at the following rates per annum:

Buildings	2.86-5%
Plant and machineries	10-20%
Motor vehicles	20%
Furniture and equipment	20%
Leasehold improvement	20-100%

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to us and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs, such as repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

FINANCIAL INFORMATION

Construction in progress represents property, plant and equipment under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Inventories

Inventories are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses. Cost is calculated using the weighted average method.

Impairment of non-financial assets

Our property, plant and equipment and prepaid land lease payment, are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Impairment losses is charged pro rata to the other assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost of disposal, or value in use, if determinable.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

FINANCIAL INFORMATION

RESULTS OF OPERATION OF THE GROUP

The table below sets forth a summary of selected financial information of us during the Track Record Period. The summary is extracted from and should be read in conjunction with the Accountants' Report set out in Appendix I to this prospectus:

	For the year ended 31 December						For the three months ended 31 March			
	2012	2013		2014		2014	2015			
	RMB'000	% of revenue	RMB'000	% of revenue	RMB'000	% of revenue	RMB'000	% of revenue	RMB'000	% of revenue
Revenue	245,825	100.0	298,752	100.0	397,923	100.0	50,028	100.0	97,393	100.0
Cost of sales	(182,066)	(74.1)	(218,972)	(73.3)	(287,141)	(72.2)	(37,166)	(74.3)	(70,419)	(72.3)
Gross profit	63,759	25.9	79,780	26.7	110,782	27.8	12,862	25.7	26,974	27.7
Other income	848	0.3	591	0.2	1,121	0.3	97	0.2	1,440	1.5
Selling expenses	(7,523)	(3.1)	(9,236)	(3.1)	(11,605)	(2.9)	(1,981)	(4.0)	(3,026)	(3.1)
Administrative and other operating expenses	(15,079)	(6.1)	(19,831)	(6.5)	(19,961)	(5.0)	(4,418)	(8.8)	(7,429)	(7.6)
Profit from operations	42,005	17.0	51,304	17.3	80,337	20.2	6,560	13.1	17,959	18.5
Finance costs	(2,011)	(0.8)	(1,400)	(0.5)	(2,067)	(0.5)	(371)	(0.7)	(788)	(0.8)
Profit before income tax	39,994	16.2	49,904	16.8	78,270	19.7	6,189	12.4	17,171	17.7
Income tax expense	(10,200)	(4.1)	(12,702)	(4.3)	(19,690)	(5.0)	(1,829)	(3.7)	(4,548)	(4.7)
Profit for the year/period	<u>29,794</u>	<u>12.1</u>	<u>37,202</u>	<u>12.5</u>	<u>58,580</u>	<u>14.7</u>	<u>4,360</u>	<u>8.7</u>	<u>12,623</u>	<u>13.0</u>
Profit for the year/period attributable to:										
Equity holders of the Company	17,876	7.3	36,638	12.3	58,580	14.7	4,360	8.7	10,730	11.0
Non-controlling interests	<u>11,918</u>	<u>4.8</u>	<u>564</u>	<u>0.2</u>	<u>—</u>	<u>0.0</u>	<u>—</u>	<u>0.0</u>	<u>1,893</u>	<u>2.0</u>
	<u>29,794</u>	<u>12.1</u>	<u>37,202</u>	<u>12.5</u>	<u>58,580</u>	<u>14.7</u>	<u>4,360</u>	<u>8.7</u>	<u>12,623</u>	<u>13.0</u>
Earnings per share attributable to equity holders of the Company										
Basic and diluted	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

FINANCIAL INFORMATION

CERTAIN INCOME STATEMENT ITEMS

Revenue

We derive our revenue primarily from the sales of cosplay products, including cosplay wigs and cosplay costumes. We also derive revenue from sales of non-cosplay apparels, including mainly sexy lingerie.

Revenue by business and product category

	For the year ended 31 December						For the three months ended 31 March			
	2012		2013		2014		2014		2015	
	RMB'000	% of revenue	RMB'000	% of revenue	RMB'000	% of revenue	RMB'000	% of revenue	RMB'000	% of revenue
							<i>(unaudited)</i>			
CMS										
Cosplay costumes	77,070	31.4	111,281	37.2	139,992	35.2	13,566	27.1	41,017	42.1
Cosplay wigs	96,969	39.4	101,247	33.9	151,748	38.2	17,188	34.4	27,154	27.9
Sexy lingerie	19,625	8.0	18,133	6.1	32,742	8.2	2,803	5.6	2,906	3.0
Others	585	0.2	1,227	0.4	106	0.0	—	0.0	632	0.6
Sub-total	<u>194,249</u>	<u>79.0</u>	<u>231,888</u>	<u>77.6</u>	<u>324,588</u>	<u>81.6</u>	<u>33,557</u>	<u>67.1</u>	<u>71,709</u>	<u>73.6</u>
OBM										
Cosplay costumes	29,437	12.0	27,377	9.2	41,136	10.3	9,914	19.8	13,020	13.4
Cosplay wigs	13,401	5.4	32,677	10.9	28,007	7.0	6,557	13.1	11,969	12.3
Sexy lingerie	8,574	3.5	6,342	2.1	4,192	1.1	—	0.0	695	0.7
Others	164	0.1	468	0.2	—	0.0	—	0.0	—	0.0
Sub-total	<u>51,576</u>	<u>21.0</u>	<u>66,864</u>	<u>22.4</u>	<u>73,335</u>	<u>18.4</u>	<u>16,471</u>	<u>32.9</u>	<u>25,684</u>	<u>26.4</u>
Revenue	<u>245,825</u>	<u>100.0</u>	<u>298,752</u>	<u>100.0</u>	<u>397,923</u>	<u>100.0</u>	<u>50,028</u>	<u>100.0</u>	<u>97,393</u>	<u>100.0</u>

Our management reviews the financial performance of our Group based on two operating and reportable segments as set out in note 4.2 of the Accountants' Report in Appendix I to this prospectus: (1) wigs which are cosplay wigs; and (2) clothing and others which include cosplay costumes, sexy lingerie and other accessories. The above revenue table by business and product category is to sub-divide the product category and provide additional information to facilitate the understanding on the operations and products of our Group. The segment information as set out in note 4.2 of the Accountants' Report in Appendix I to this prospectus has not provided the break-down of the product as our management only reviews the financial performance of our Group in a broader sense, i.e. two segments of (1) wigs and (2) clothing and others. In addition, our own internal financial records are unable to extract the more detailed segment information required if the product are further sub-divided into four types, such as segment assets and liabilities of respective sub-divide product type.

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Revenue derived from our CMS business

During the Track Record Period, our revenue was mainly derived from our CMS business, representing approximately 79.0%, 77.6%, 81.6% and 73.6% of revenue respectively. Our revenue derived from the CMS business increased from approximately RMB194.2 million for the year ended 31 December 2012 to approximately RMB231.9 million for the year ended 31 December 2013, representing an increase of approximately 19.4%. Such increase was mainly attributable to the increase in the revenue from CMS cosplay costumes, resulting from the satisfaction from our customers with our Group's product quality and delivery time and eventually commenced bulk purchases.

It further increased from approximately RMB231.9 million for the year ended 31 December 2013 to approximately RMB324.6 million for the year ended 31 December 2014, representing an increase of approximately 40.0%. Such increase was mainly attributable to the increase in revenue from all of our CMS products. Particularly, the significant increase in revenue from our CMS cosplay wigs was mainly due to the increase in market demand from the effect of the World Cup 2014. The increase in revenue from our CMS sexy lingerie was mainly attributable to the improved and stable economic condition of the target markets, including developed markets such as the United States, Europe, Australia and Japan.

Our revenue derived from the CMS business increased from approximately RMB33.6 million for the three months ended 31 March 2014 to approximately RMB71.7 million for the three months ended 31 March 2015, representing an increase of approximately 113.7%. Such increase was mainly attributable to the significantly increase in orders from our existing customers. Particularly, revenue from our top ten CMS customers for the three months ended 31 March 2015 increased from approximately RMB19.3 million for the three months ended 31 March 2014 to approximately RMB51.5 million for the three months ended 31 March 2015, represented an increase of approximately RMB32.2 million, or 166.8%.

Revenue derived from our OBM business

During the Track Record Period, our revenue was also derived from our OBM business, representing approximately 21.0%, 22.4%, 18.4% and 26.4% of revenue respectively. Our revenue derived from the OBM business increased from approximately RMB51.6 million for the year ended 31 December 2012 to approximately RMB66.9 million for the year ended 31 December 2013, representing an increase of approximately 29.6%. Such increase was mainly attributable to the successful implementation of our strategy in expanding our OBM cosplay wigs under our own brand "Styler", resulting in a significant increase in the revenue from OBM cosplay wigs, and partially offset by a slightly decrease in the revenue from our OBM cosplay costumes and OBM sexy lingerie.

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It further increased from approximately RMB66.9 million for the year ended 31 December 2013 to approximately RMB73.3 million for the year ended 31 December 2014, representing an increase of approximately 9.7%. Such increase was mainly attributable to the increase in revenue from the OBM cosplay costumes, and partially offset by a slightly decrease in the revenue from our OBM cosplay wigs and OBM sexy lingerie. The decrease in the revenue from our OBM cosplay wigs during the year was mainly due to the fact that certain wigs production capacity was maintained for the production of CMS cosplay wigs to cope with the increase in market demand from the effect of the World Cup 2014.

Our revenue derived from the OBM business increased from approximately RMB16.5 million for the three months ended 31 March 2014 to approximately RMB25.7 million for the three months ended 31 March 2015, representing an increase of approximately 55.9%. Such increase was mainly attributable to the increase in the revenue from the OBM cosplay wigs and OBM cosplay costumes, resulting from (i) the continuous implementation of our strategy in expanding our OBM products under our own brand; and (ii) the commencement of direct sales channels by the “WithCity” e-shops in the PRC since late 2014 with higher unit selling price of our OBM products.

Revenue by geographical area

	For the year ended 31 December						For the three months ended 31 March			
	2012		2013		2014		2014		2015	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
North America (Note 1)	93,666	38.1	121,422	40.6	155,237	39.0	14,299	28.6	43,524	44.7
Europe (Note 2)	75,509	30.7	85,696	28.7	139,182	35.0	16,309	32.6	24,825	25.5
Oceania (Note 3)	20,123	8.2	26,578	8.9	31,340	7.9	4,949	9.9	9,966	10.2
South America (Note 4)	22,579	9.2	26,445	8.9	26,429	6.6	8,317	16.6	9,319	9.6
Asia (excluding the PRC) (Note 5)	25,010	10.1	32,408	10.8	37,511	9.4	4,471	8.9	6,726	6.9
PRC	8,322	3.4	4,994	1.7	6,404	1.6	1,683	3.4	3,033	3.1
Africa	616	0.3	1,209	0.4	1,820	0.5	—	0.0	—	0.0
Total	<u>245,825</u>	<u>100.0</u>	<u>298,752</u>	<u>100.0</u>	<u>397,923</u>	<u>100.0</u>	<u>50,028</u>	<u>100.0</u>	<u>97,393</u>	<u>100.0</u>

Notes:

1. Our customers in the North America mainly include the customers based in the United States, Canada and Mexico.
2. Our customers in Europe mainly include the customers based in Germany, U.K., Holland, France, Russia, Belgium and Greece.
3. Our customers in Oceania mainly include the customers based in Australia and New Zealand.
4. Our customers in South America mainly include the customers based in Brazil, Argentina, Columbia, Peru and Ecuador.
5. Our customers in Asia mainly include the customers in Japan and South Korea.

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As shown on the table above, our major export destinations are North America, Europe and Oceania, which contributed for approximately 77.0%, 78.2%, 81.9% and 80.4% of the revenue for the three years ended 31 December 2014 and the three months ended 31 March 2015, respectively. Our revenue derived from North America, Europe and Oceania increased from approximately RMB189.3 million for the year ended 31 December 2012 to approximately RMB233.7 million for the year ended 31 December 2013, and further increased to approximately RMB325.8 million for the year ended 31 December 2014, representing an increase of approximately 23.5% and 39.4%, respectively. It also increased from approximately RMB35.6 million for the three months ended 31 March 2014 to approximately RMB78.3 million for the three months ended 31 March 2015, representing an increase of approximately 120.3%. Such increase was in line with the increasing trend of revenue from CMS products during the Track Record Period as our CMS products are mainly targeted at developed markets.

Our revenue derived from Asia (including PRC), South America and Africa contributed for approximately 23.0%, 21.8%, 18.1% and 19.6% of the revenue for the three years ended 31 December 2014 and the three months ended 31 March 2015, respectively. Our revenue derived from Asia (including the PRC), South America and Africa increased from approximately RMB56.5 million for the year ended 31 December 2012 to approximately RMB65.1 million for the year ended 31 December 2013, and increased to approximately RMB72.2 million for the year ended 31 December 2014, representing an increase of approximately 15.1% and 10.9%, respectively. It also increased from approximately RMB14.5 million for the three months ended 31 March 2014 to approximately RMB19.1 million for the three months ended 31 March 2015, representing an increase of approximately 31.8%. Such increase was in line with (i) the increasing trend of revenue from OBM products during the Track Record Period as our OBM products are mainly targeted at developing markets; and (ii) the commencement of direct sales channels by the “*WithCity*” e-shops in the PRC since late 2014.

Export tax rebate

During the Track Record Period, the revenue derived from our export sales amounted to approximately RMB237.5 million, RMB293.8 million, RMB391.5 million and RMB94.4 million, representing approximately 96.6%, 98.3%, 98.4% and 96.9% of our revenue respectively. During the Track Record Period, we enjoyed a tax rebate from the PRC tax authority at a rate of 13% for most of our cosplay wigs and 16% and 17% for our cosplay costumes and sexy lingerie respectively. During the Track Record Period, we received export tax rebate in the respective sum of approximately RMB18.0 million, RMB19.9 million, RMB30.3 million and RMB4.9 million respectively. Our export products, mainly consisting of cosplay wigs, cosplay costumes and sexy lingerie, fall within the categories eligible for tax rebate under the Notice on Increasing the Export Tax Rebate Rates of Value Added Tax on Labor-intensive Commodities* (財政部、國家稅務總局關於出口貨物勞務增值稅和消費稅政策的通知) and the Notice on Adjustment of Export Tax Refund Rate of Certain Products* (財政部、國家稅務總局關於調整部分產品出口退稅率的通知) which encourage PRC enterprises to export their products. When the sales of the export products are being recognised (i.e. the products are delivered to the FOB ports), we are entitled to and will immediately make the applications of tax rebate to the tax authority. Tax rebate can then be recognised simultaneously and our cost of sales will be reduced accordingly. The amount

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of tax rebate is calculated by multiplying the invoiced value of the export sale with the tax rebate rates applicable to the export product type. During the Track Record Period, the applicable rate for most of our cosplay wig, cosplay costumes and sexy lingerie is 13%, 16% and 17% respectively. We will then be informed by the tax authority that the relevant tax rebate can be realised by way of offsetting against VAT payable usually within approximately two weeks from the date of application. If the VAT payable is less than the tax rebate entitled, cash settlement will be made by the tax authority within approximately four weeks from the date of application. The purpose of the tax rebate is to refund the VAT incurred on raw materials we sourced for production of our products in the PRC, which were subsequently exported to overseas countries.

The below table shows the gross profit and gross profit margin by export sales (before and after taking to account the tax rebates) and by domestic sales during the Track Record Period:

	For the year ended 31 December						For the three months ended	
	2012		2013		2014		31 March	
	Gross profit		Gross profit		Gross profit		Gross profit	
	Gross profit	margin	Gross profit	margin	Gross profit	margin	Gross profit	margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Before tax rebates								
Export sales	43,591	18.4	58,620	20.0	78,721	20.1	20,167	21.4
Domestic sales	<u>2,169</u>	26.1	<u>1,225</u>	24.5	<u>1,756</u>	27.4	<u>1,936</u>	63.8
Total	<u><u>45,760</u></u>	18.6	<u><u>59,845</u></u>	20.0	<u><u>80,477</u></u>	20.2	<u><u>22,103</u></u>	22.7
After tax rebates								
Export sales	61,590	25.9	78,555	26.7	109,026	27.8	25,038	26.5
Domestic sales	<u>2,169</u>	26.1	<u>1,225</u>	24.5	<u>1,756</u>	27.4	<u>1,936</u>	63.8
Total	<u><u>63,759</u></u>	25.9	<u><u>79,780</u></u>	26.7	<u><u>110,782</u></u>	27.8	<u><u>26,974</u></u>	27.7

The significant increase in gross profit margin of our Group's domestic sales for the three months ended 31 March 2015 was mainly due to (i) the commencement of direct sales channels by the "WithCity" e-shops in the PRC since late 2014, which contributed approximately 64.8% to our domestic sales for the three months ended 31 March 2015; and (ii) the relatively higher unit selling price of our OBM products sold through the "WithCity" e-shops to the end-customers in the PRC in the first quarter of 2015.

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Sales quantities and average unit selling price by products

	For the year ended 31 December						For the three months ended 31 March	
	2012		2013		2014		2015	
	Units sold	Average unit selling price (RMB)	Units sold	Average unit selling price (RMB)	Units sold	Average unit selling price (RMB)	Units sold	Average unit selling price (RMB)
CMS products								
Cosplay wigs	7,960,745	12.2	9,015,603	11.2	15,124,244	10.1	2,422,250	11.2
Cosplay costumes	2,158,120	35.7	2,611,274	42.6	4,462,062	31.4	773,340	53.0
Sexy lingerie	618,711	31.7	486,548	37.3	1,088,326	30.1	54,890	52.9
Sub-total	<u>10,737,576</u>		<u>12,113,425</u>		<u>20,674,632</u>		<u>3,250,480</u>	
OBM products								
Cosplay wigs	983,145	13.6	3,039,246	10.8	3,393,200	8.3	1,146,821	10.4
Cosplay costumes	728,136	40.4	615,510	44.5	1,597,278	25.8	169,010	77.0
Sexy lingerie	203,729	42.1	129,488	49.0	156,719	26.7	18,598	37.4
Sub-total	<u>1,915,010</u>		<u>3,784,244</u>		<u>5,147,197</u>		<u>1,334,429</u>	
Total	<u>12,652,586</u>		<u>15,897,669</u>		<u>25,821,829</u>		<u>4,584,909</u>	

The animation derivative industry and the sexy lingerie industry are highly fragmented and product variety of cosplay wigs, cosplay costumes and sexy lingerie are wide and in fast-evolving trends. In order to cope with the market demand, the product mix that we sold and eventually the average unit selling price of our products is different year by year.

We determine the unit selling prices of our CMS and OBM products on a cost plus basis, with pricing factors including (i) costs of raw materials; (ii) complexity of production process; (iii) specifications or requirements of our products; and (iv) profitability between our customers and us. Based on the above, the average unit selling price of our products fluctuated during the Track Record Period mainly due to the change of products mix which was largely based on the purchase orders we obtained and out of our control.

Cosplay wigs

The average unit selling price of our CMS and OBM cosplay wigs decreased from approximately RMB12.2 and RMB13.6 in 2012 to approximately RMB11.2 and RMB10.8 in 2013, and further decreased to approximately RMB10.1 and RMB8.3 in 2014, respectively. From 2012 to 2014, there was an increasing trend in sales of lower priced cosplay wig products following the market demand trend, for instance, the World Cup effect in 2014 which involved less complex production process and lower raw materials costs. The average unit selling price of

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such lower priced products was approximately RMB10.5 and RMB8.7 in 2013 and 2014 respectively and they contributed approximately 96.0% and 96.3% to the total quantity of cosplay wigs sold in 2013 and 2014 respectively. As a result, the average unit selling price of cosplay wigs decreased from 2012 to 2014.

After the World Cup effect, the average unit selling price of our CMS and OBM cosplay wigs stabilized and slightly increased to RMB11.2 and RMB10.4 for the three months ended 31 March 2015. Such increase was mainly due to the increase in sales of higher priced cosplay wigs products following the market trend in 2015 with the focus on high technology which involved more complex production process and higher raw materials costs.

From 2012 to 2014, as our Group has grasped the World Cup trend by maximising the production capacity to produce lower priced products with less complex production process, there was a significant increase in the units sold in both CMS and OBM cosplay wigs, from 7,960,745 units and 983,145 units in 2012, to 9,015,603 units and 3,039,246 units in 2013, and further to 15,124,244 units and 3,393,200 units in 2014 respectively.

For further information of our customers, please refer to the section headed “Business — Customers” in this prospectus.

Cosplay costumes

The average unit selling price of our CMS and OBM cosplay costumes increased from approximately RMB35.7 and RMB40.4 in 2012 to approximately RMB42.6 and RMB44.5 in 2013 respectively. In 2013, the increase of the average unit selling price of cosplay costumes was mainly due to the higher quality raw materials used in the production as required by our customers.

The average unit selling price of our CMS and OBM cosplay costumes decreased from approximately RMB42.6 and RMB44.5 in 2013 to approximately RMB31.4 and RMB25.8 in 2014 respectively. In 2014, our lower priced cosplay costumes products received better market response due to the market demand trend, such as the World Cup effect in 2014 which involved less complex production process and lower raw materials costs. The average unit selling price of such lower priced CMS and OBM cosplay costumes products was approximately RMB39.3 and RMB28.3 in 2013 and 2014 respectively and they contributed approximately 88.6% and 97.0% to the total quantity of cosplay costumes sold in 2013 and 2014 respectively. As a result, the average unit selling price of cosplay costumes decreased from 2013 to 2014.

The significant increase in average unit selling price of our CMS and OBM cosplay costumes to approximately RMB53.0 and RMB77.0 in the first quarter of 2015 respectively was mainly due to (i) an increase in revenue from CMS cosplay costumes involving more complex production process and higher raw material costs and thus with a relatively higher unit selling price; (ii) higher priced OBM cosplay costumes products were sold through the “*WithCity*” e-shops in the PRC in the first quarter of 2015; and (iii) Customer G, our largest customer for

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the three months ended 31 March 2015, contributed approximately 13.9% to our revenue from cosplay costumes for the same period and purchased large amount of our cosplay costumes products (related to a big hit movie “Transformers”) with a high average unit selling price of approximately RMB60.4, in the first quarter of 2015.

From 2012 to 2014, as our Group has grasped the World Cup trend by maximising the production capacity to produce the lower priced products with less complex production process, there was a steady increasing trend in the units sold in both OBM and CMS cosplay costumes, from 2,158,120 units and 728,136 units in 2012, to 2,611,274 units and 615,510 units in 2013, and further to 4,462,062 units and 1,597,278 units in 2014 respectively.

For further information of our customers, please refer to the section headed “Business — Customers” in this prospectus.

Sexy lingerie

The average unit selling price of our CMS and OBM sexy lingerie increased from approximately RMB31.7 and RMB42.1 in 2012 to approximately RMB37.3 and RMB49.0 in 2013 respectively. In 2013, the increase of the average unit selling price of sexy lingerie was mainly due to the higher quality raw materials used in the production as required by our customers.

The average unit selling price of our CMS and OBM sexy lingerie decreased from approximately RMB37.3 and RMB49.0 in 2013 to approximately RMB30.1 and RMB26.7 in 2014 respectively. In 2014, we predominantly sold lower priced sexy lingerie products. The average unit selling price of such lower priced products was approximately RMB37.8 and RMB26.8 in 2013 and 2014 respectively and they contributed approximately 92.9% and 93.7% to the total quantity of sexy lingerie sold in 2013 and 2014 respectively. In addition, the decrease of average unit selling price of sexy lingerie was also due to our strategic price reduction so as to boost the sales of sexy lingerie in 2014. As a result, the average unit selling price of sexy lingerie decreased from 2013 to 2014.

The significant increase in average unit selling price of our CMS and OBM sexy lingerie to approximately RMB52.9 and RMB37.4 in 2015 respectively was mainly due to (i) an increase in revenue from CMS sexy lingerie involving more complex production process and higher raw material costs and thus with a relatively higher unit selling price; and (ii) higher priced OBM sexy lingerie products were sold through the “*WithCity*” e-shops in the PRC in the first quarter of 2015.

From 2012 to 2013, there was a slightly decrease in the units sold in both OBM and CMS sexy lingerie, from 618,711 units and 203,729 units in 2012, to 486,548 units and 129,488 units in 2013 respectively. Such decrease was mainly due to the fact that higher priced products generally required more complex and longer production process.

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From 2013 to 2014, there was a significant increase in the units sold in both OBM and CMS sexy lingerie, from 486,548 units and 129,488 units in 2013, to 1,088,326 units and 156,719 units in 2014 respectively. Such increase was mainly due to the strategic price reduction of sexy lingerie in order to boost the sales of sexy lingerie in 2014.

For further information of our customers, please refer to the section headed “Business — Customers” in this prospectus.

Cost of Sales

Cost of sales mainly comprised raw material costs, direct labor costs and manufacturing overhead. Manufacturing overhead includes subcontracting payments, utilities and social insurance for our production staff and other miscellaneous items. The following table sets out the breakdown of our cost of sales during the Track Record Period:

	For the year ended 31 December						For the three months ended 31 March			
	2012		2013		2014		2014		2015	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Raw material costs	125,319	68.8	152,006	69.4	197,921	68.9	17,482	47.0	47,301	67.2
Direct labor costs	44,400	24.4	52,123	23.8	57,786	20.1	12,301	33.1	12,581	17.9
Manufacturing overhead	12,347	6.8	14,843	6.8	31,434	11.0	7,383	19.9	10,537	14.9
Total	<u>182,066</u>	<u>100.0</u>	<u>218,972</u>	<u>100.0</u>	<u>287,141</u>	<u>100.0</u>	<u>37,166</u>	<u>100.0</u>	<u>70,419</u>	<u>100.0</u>

Our raw material costs was the largest cost component of our Group’s costs of sales representing approximately 68.8%, 69.4%, 68.9% and 67.2% respectively of our Group’s costs of sales during the Track Record Period. The reason of the lower contribution from our raw material costs to our costs of sales for the three months ended 31 March 2014 was mainly due to (i) our lower revenue for the three months ended 31 March 2014 which directly reduced our raw material costs in our cost of sales; and (ii) direct labor costs and manufacturing overheads are less variable to revenue in nature as compared to raw material costs. Some manufacturing overheads, including the depreciation and salaries remained relatively stable regardless the decrease in revenue.

For the three years ended 31 December 2014 and the three months ended 31 March 2015, cost of sales accounted for approximately 74.1%, 73.3%, 72.2% and 72.3% of our revenue, respectively.

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Gross profit and gross profit margin

During the Track Record Period, our gross profit and gross profit margin by business and product was as follows:

	For the year ended 31 December						For the three months ended 31 March			
	2012		2013		2014		2014		2015	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
CMS business										
Cosplay wigs	24,275	25.0	25,852	25.5	41,653	27.4	4,286	24.9	7,342	27.0
Cosplay costumes	20,258	26.3	30,225	27.2	38,958	27.8	3,522	26.0	10,757	26.2
Sexy lingerie	5,267	26.8	4,971	27.4	9,304	28.4	666	23.8	749	25.8
Others	135	23.1	275	22.4	21	19.8	—	—	122	19.3
Sub-total	<u>49,935</u>	25.7	<u>61,323</u>	26.4	<u>89,936</u>	27.7	<u>8,474</u>	25.3	<u>18,970</u>	26.5
OBM business										
Cosplay wigs	3,383	25.2	8,886	27.2	7,697	27.5	1,698	25.9	3,252	27.2
Cosplay costumes	8,027	27.3	7,738	28.3	11,972	29.1	2,690	27.1	4,556	35.0
Sexy lingerie	2,374	27.7	1,680	26.5	1,177	28.1	—	—	196	28.2
Others	40	24.4	153	32.7	—	—	—	—	—	—
Sub total	<u>13,824</u>	26.8	<u>18,457</u>	27.6	<u>20,846</u>	28.4	<u>4,388</u>	26.6	<u>8,004</u>	31.2
Total	<u>63,759</u>	25.9	<u>79,780</u>	26.7	<u>110,782</u>	27.8	<u>12,862</u>	25.7	<u>26,974</u>	27.7

During the Track Record Period, our gross profit increased from approximately RMB63.8 million for the year ended 31 December 2012 to approximately RMB79.8 million for the year ended 31 December 2013 and then to approximately RMB110.8 million for the year ended 31 December 2014, and increased from approximately RMB12.9 million for the three months ended 31 March 2014 to approximately RMB27.0 million for the three months ended 31 March 2015, primarily due to the expansion of our OBM and CMS businesses following the increased number of new customers and the increased purchase orders from existing customers.

Our overall gross profit margin slightly increased from approximately 25.9% for the year ended 31 December 2012 to approximately 26.7% for the year ended 31 December 2013, approximately 27.8% for the year ended 31 December 2014, and increased from approximately 25.7% for the three months ended 31 March 2014 to approximately 27.7% for the three months ended 31 March 2015. Our ability to maintain a stable gross profit margin during the Track Record Period was mainly attributable to (i) the continuous reinforcement of our pricing strategy on a cost plus basis which enabled us to maintain a high gross profit margin; (ii) economies of scale achieved by our increased scale of production with increasing orders from our customers; and (iii) our more favorable position to bargain for better price of raw materials from our suppliers as a result of increased purchasing power, during the Track Record Period.

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During the Track Record Period, our OBM products generally had higher gross profit margins than our CMS products.

Other income

Other income mainly includes interest income and exchange gain.

The following table sets out the breakdown of our other income during the Track Record Period:

	For the year ended 31 December						For the three months ended 31 March			
	2012		2013		2014		2014		2015	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
Exchange gain	—	0.0	—	0.0	279	24.9	—	0.0	1,230	85.4
Interest income	127	15.0	161	27.2	241	21.5	46	47.4	46	3.2
Others	721	85.0	430	72.8	601	53.6	51	52.6	164	11.4
Total	848	100.0	591	100.0	1,121	100.0	97	100.0	1,440	100.0

For the three years ended 31 December 2014 and the three months ended 31 March 2015, other income were approximately RMB848,000, RMB591,000, RMB1.1 million and RMB1.4 million, respectively, accounted for approximately 0.3%, 0.2%, 0.3% and 1.5% of our revenue, respectively.

Exchange gain was nil, nil, approximately RMB0.3 million and RMB1.2 million, representing nil, nil, approximately 24.9% and 85.4% of our total other income during the Track Record Period. The fluctuation of our exchange gain during the Track Record Period was primarily due to the non-recurring nature of such exchange gain arising from translating US\$ to RMB.

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Selling expenses

Selling expenses mainly include salaries and welfare expense, transportation expense and freight expense.

The following table sets out the breakdown of our selling expenses during the Track Record Period:

	For the year ended 31 December						For the three months ended 31 March			
	2012		2013		2014		2014		2015	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Transportation expense	2,581	34.3	2,903	31.4	4,687	40.4	448	22.6	1,510	49.9
Salaries and welfare expense	2,927	38.9	3,623	39.2	3,991	34.4	853	43.1	1,018	33.6
Freight expense	821	10.9	1,224	13.3	1,536	13.2	229	11.5	31	1.0
Others	1,194	15.9	1,486	16.1	1,391	12.0	451	22.8	467	15.5
Total	<u>7,523</u>	<u>100.0</u>	<u>9,236</u>	<u>100.0</u>	<u>11,605</u>	<u>100.0</u>	<u>1,981</u>	<u>100.0</u>	<u>3,026</u>	<u>100.0</u>

For the three years ended 31 December 2014 and the three months ended 31 March 2015, selling expenses were approximately RMB7.5 million, RMB9.2 million, RMB11.6 million and RMB3.0 million, respectively, accounted for approximately 3.1%, 3.1%, 2.9% and 3.1% of our revenue, respectively.

Our transportation expenses and salaries and welfare expenses were the two largest components of our total selling expenses, the former representing approximately 34.3%, 31.4%, 40.4% and 49.9%, the latter representing approximately 38.9%, 39.2%, 34.4% and 33.6%, of our total selling expenses during the Track Record Period respectively. Both our transportation expense and salaries and welfare expense increased in line with our revenue growth during the Track Record Period.

Administrative and other operating expenses

Administrative and other operating expenses primarily include research and development cost, and salaries and welfare expense.

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The following table sets out the breakdown of our administrative and other operating expenses during the Track Record Period:

	For the year ended 31 December						For the three months ended 31 March			
	2012		2013		2014		2014		2015	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Research and development										
cost	5,808	38.5	7,542	38.0	8,587	43.0	1,882	42.6	2,147	28.9
Salaries and welfare expense	4,564	30.3	5,134	25.9	5,960	29.9	1,198	27.1	1,555	20.9
Listing expense	—	0.0	—	0.0	—	0.0	—	0.0	1,288	17.3
Office supplies expense	1,112	7.4	848	4.3	1,402	7.0	139	3.1	896	12.1
Other tax expense	844	5.6	1,009	5.1	1,219	6.1	235	5.3	303	4.1
Exchange loss	498	3.3	2,641	13.3	—	0.0	362	8.2	—	0.0
Others	2,253	14.9	2,657	13.4	2,793	14.0	602	13.7	1,240	16.7
Total	<u>15,079</u>	<u>100.0</u>	<u>19,831</u>	<u>100.0</u>	<u>19,961</u>	<u>100.0</u>	<u>4,418</u>	<u>100.0</u>	<u>7,429</u>	<u>100.0</u>

For the three years ended 31 December 2014 and the three months ended 31 March 2015, our administrative and other operating expenses were approximately RMB15.1 million, RMB19.8 million, RMB20.0 million and RMB7.4 million, respectively and accounted for approximately 6.1%, 6.5%, 5.0% and 7.6% of our revenue, respectively.

Our research and development cost was the largest cost component of our Group's administrative and other operating expenses representing approximately 38.5%, 38.0%, 43.0% and 28.9% respectively of our Group's administrative and other operating expenses during the Track Record Period. Our research and development expenses mainly consisted of raw material costs for trial production of new products, the remuneration paid to our staff of our research and development department and the fees paid to the universities and colleges which had entered into collaboration agreements with us.

Finance costs

Finance costs represent interest on bank loans and wholly repayable within five years. For the three years ended 31 December 2014 and the three months ended 31 March 2015, our finance costs were approximately RMB2.0 million, RMB1.4 million, RMB2.1 million and RMB0.8 million, respectively.

Income tax expense

Pursuant to the applicable laws, rules and regulations of the Cayman Islands and the BVI, our Group is not subject to any income tax in the Cayman Islands and the BVI respectively.

No provision for Hong Kong profits tax has been made as we had no assessable profits arising in Hong Kong during the Track Record Period. The provision for PRC enterprise income tax has been provided at the applicable tax rate of 25% on the assessable profits of the Company's PRC subsidiaries.

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Income tax expense mainly represents the amount of enterprise income tax. For the three years ended 31 December 2014 and the three months ended 31 March 2015, our income tax expense were approximately RMB10.2 million, RMB12.7 million, RMB19.7 million and RMB4.5 million, respectively.

Our Directors confirm that we have made all required tax filings in all relevant jurisdictions and paid all tax liabilities that have become due. We are not subject to any dispute or potential dispute with any tax authorities.

Sensitivity analysis

Prospective investors should note that the below analysis on the historical financials is based on assumptions and is for reference only and should not be viewed as actual effect. Such information by no means reflects our Group's historical experience, financial results and normal course of conducting business. Prospective investors should not place undue reliance on such information.

Prospective investors should also note that the sensitivity analysis highlighted below has only one variable factor and assumes all other financial factors being constant.

Fluctuation in raw material costs

The below table illustrates that, assuming all other factors being constant, the changes in the net profit in response to the increases/decreases of 5.0%, 10%, 15%, 20% and 25% of the raw material costs of our Group's products respectively, in which our Directors believed that 25% is the maximum fluctuation of the raw material costs during the Track Record Period. The same percentage changes in raw material costs, be it increase or decrease, would result in equivalent changes in the below line items.

	For the year ended			For the three months	
	31 December			ended 31 March	
	2012	2013	2014	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Impact on net profit for the year/ period					
increases/decreases of 5.0%	4,699	5,700	7,422	656	1,774
increases/decreases of 10.0%	9,399	11,400	14,844	1,311	3,548
increases/decreases of 15.0%	14,098	17,101	22,266	1,967	5,321
increases/decreases of 20.0%	18,798	22,801	29,688	2,622	7,095
increases/decreases of 25.0%	<u>23,497</u>	<u>28,501</u>	<u>37,110</u>	<u>3,278</u>	<u>8,869</u>

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REVIEW OF HISTORICAL RESULTS OF OPERATIONS

Three months ended 31 March 2015 compared to three months ended 31 March 2014

Revenue

Our revenue increased by approximately RMB47.4 million, or 94.7%, from approximately RMB50.0 million for the three months ended 31 March 2014 to approximately RMB97.4 million for the three months ended 31 March 2015. The increase was mainly attributable to the following reasons:

- (i) an increase in revenue of approximately 113.7% from our CMS business from approximately RMB33.6 million for the three months ended 31 March 2014 to approximately RMB71.7 million for the three months ended 31 March 2015 resulting from the increase in orders from our existing CMS customers on cosplay costumes and cosplay wigs during 2015. Particularly, revenue from our top ten CMS customers for the three months ended 31 March 2015 increased from approximately RMB19.3 million for the three months ended 31 March 2014 to approximately RMB51.5 million for the three months ended 31 March 2015, represented an increase of approximately RMB32.2 million, or 166.8%;
- (ii) an increase in revenue of approximately 55.9% from our OBM business from approximately RMB16.5 million for the three months ended 31 March 2014 to approximately RMB25.7 million for the three months ended 31 March 2015 resulting from: (a) increased orders from our existing OBM customers on our OBM cosplay costumes and OBM cosplay wigs. Particularly, as our customer mix for our top five OBM customers for the three years ended 31 December 2014 and the three months ended 31 March 2015 was stable, revenue generated from them increased from approximately RMB16.1 million for the three months ended 31 March 2014 to approximately RMB23.7 million for the three months ended 31 March 2015, represented an increase of approximately RMB7.6 million, or 47.2%; (b) the continuous implementation of our strategy in expanding our OBM products under our own brand; and (c) the commencement of direct sales channels by the “*WithCity*” e-shops in the PRC since late 2014.

Cost of sales

Our cost of sales increased by approximately RMB33.2 million, or 89.5%, from approximately RMB37.2 million for the three months ended 31 March 2014 to approximately RMB70.4 million for the three months ended 31 March 2015. Our cost of sales increased generally in line with our increase in revenue.

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Gross profit and gross profit margin

Our gross profit increased by approximately RMB14.1 million, or 109.7%, from approximately RMB12.9 million for the three months ended 31 March 2014 to approximately RMB27.0 million for the three months ended 31 March 2015 and our gross profit margin increased from approximately 25.7% for the three months ended 31 March 2014 to approximately 27.7% for the three months ended 31 March 2015. The increase of our gross profit was primarily due to the expansion of our OBM and CMS businesses following the increased number of new customers and an increase of revenue from our products from our existing customers. The increase of our gross profit margin was primarily due to the general increase in gross profit margin in all products by (i) economies of scale achieved by our increased scale of production with increasing orders from our customers; and (ii) a relatively higher unit selling price of our OBM products sold through the “WithCity” e-shops in the PRC in the first quarter of 2015.

Other income

Our other income increased by approximately RMB1.3 million, or 1,384.5%, from approximately RMB0.1 million for the three months ended 31 March 2014 to approximately RMB1.4 million for the three months ended 31 March 2015. The increase was primarily due to an increase in exchange gain of approximately RMB1.2 million from the 2014 to 2015.

Selling expenses

Our selling expenses increased by approximately RMB1.0 million, or 52.8%, from approximately RMB2.0 million for the three months ended 31 March 2014 to approximately RMB3.0 million for the three months ended 31 March 2015. The increase was primarily due to an increase in transportation expense of approximately RMB1.1 million resulting from our increased export sales to overseas.

Administrative and other operating expenses

Our administrative and other operating expenses increased by approximately RMB3.0 million, or 68.2%, from approximately RMB4.4 million for the three months ended 31 March 2014 to approximately RMB7.4 million for the three months ended 31 March 2015. The increase was primarily due to (i) an increase in salaries and welfare expense of approximately RMB0.4 million as a result of increase in the average number of administration and management staff; (ii) an increase in office supplies expense of approximately RMB0.8 million; and (iii) listing expense of approximately RMB1.3 million incurred in 2015.

Finance costs

Our finance costs increased by approximately RMB0.4 million, or 112.4%, from approximately RMB0.4 million for the three months ended 31 March 2014 to approximately RMB0.8 million for the three months ended 31 March 2015. The increase was primarily due to a larger amount of short term borrowings raised in late 2014.

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Income tax expense

Our income tax expense increased by approximately RMB2.7 million, or 148.7%, from approximately RMB1.8 million for the three months ended 31 March 2014 to approximately RMB4.5 million for the three months ended 31 March 2015. Our effective tax rate decreased from approximately 29.6% to 26.5% was primarily due to the decrease of tax effects of unrecognised tax losses.

Profit for the period and net profit margin

As a result of foregoing, our net profit increased by approximately RMB8.2 million, or 189.5%, from approximately RMB4.4 million for the three months ended 31 March 2014 to approximately RMB12.6 million for the three months ended 31 March 2015 and our net profit margin increased from approximately 8.7% for the three months ended 31 March 2014 to approximately 13.0% for the three months ended 31 March 2015.

Year ended 31 December 2014 compared to year ended 31 December 2013

Revenue

Our revenue increased by approximately RMB99.2 million, or 33.2%, from approximately RMB298.8 million for the year ended 31 December 2013 to approximately RMB397.9 million for the year ended 31 December 2014. The increase was mainly attributable to the following reasons:

- (i) an increase in revenue of approximately 40.0% from our CMS business from approximately RMB231.9 million for the year ended 31 December 2013 to approximately RMB324.6 million for the year ended 31 December 2014 resulting from:
 - (a) the general increase in orders from our existing CMS customers on cosplay costumes and cosplay wigs during 2014. Particularly, revenue from our top ten CMS customers for the year ended 31 December 2014 increased from approximately RMB137.2 million for the year ended 31 December 2013 to approximately RMB205.5 million for the year ended 31 December 2014, represented an increase of approximately RMB68.3 million, or 49.8%; and
 - (b) the increase in sale from our CMS cosplay wigs resulting from the market demand from the effect of the World Cup 2014;
- (ii) an increase in revenue of approximately 9.7% from our OBM business from approximately RMB66.9 million for the year ended 31 December 2013 to approximately RMB73.3 million for the year ended 31 December 2014 resulting from:
 - (a) general increased orders from our OBM customers on our OBM cosplay costumes. Particularly, as our customer mix for our top five OBM customers for the three years ended 31 December 2014 was stable, revenue from our top five OBM customers increased from approximately RMB65.7 million for the year ended 31 December 2013 to approximately RMB72.1 million for the year ended 31 December 2014, represented an increase of approximately RMB6.4 million, or 9.7%; and
 - (b) the continuous implementation of our strategy in expanding our OBM products under our own brand.

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Cost of sales

Our cost of sales increased by approximately RMB68.1 million, or 31.1%, from approximately RMB219.0 million for the year ended 31 December 2013 to approximately RMB287.1 million for the year ended 31 December 2014. The increase was primarily due to increase in our consumption of raw materials of approximately RMB45.9 million and subcontracting payments of approximately RMB14.5 million. In view of the increased purchase orders within a specific time period in 2014, we occasionally hired subcontractors for processing of cosplay wigs and cosplay costumes in order to reduce our workloads.

Gross profit and gross profit margin

Our gross profit increased by approximately RMB31.0 million, or 38.9%, from approximately RMB79.8 million for the year ended 31 December 2013 to approximately RMB110.8 million for the year ended 31 December 2014. This was mainly attributable to the expansion of our OBM and CMS businesses following the increased number of new customers and an increase of sales of our products from our existing customers. Our gross profit margin increased from approximately 26.7% for the year ended 31 December 2013 to approximately 27.8% for the year ended 31 December 2014. The increase of our gross profit margin was primarily due to the general increase in gross profit margin in all products by (i) economies of scale achieved by our increased scale of production with increasing orders from our customers; and (ii) more favorable position to bargain for better price of raw materials from our suppliers as a result of increased purchasing power.

Other income

Our other income increased by approximately RMB0.5 million, or 89.7%, from approximately RMB0.6 million for the year ended 31 December 2013 to approximately RMB1.1 million for the year ended 31 December 2014. The increase was primarily due to the increase in exchange gain of approximately RMB0.3 million in 2014.

Selling expenses

Our selling expenses increased by approximately RMB2.4 million, or 25.6%, from approximately RMB9.2 million for the year ended 31 December 2013 to approximately RMB11.6 million for the year ended 31 December 2014. The increase was primarily due to an increase in transportation expense from approximately RMB2.9 million to approximately RMB4.7 million resulting from our increased export sales to overseas.

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Administrative and other operating expenses

Our administrative and other operating expenses slightly increased by approximately RMB0.2 million, or 0.7%, from approximately RMB19.8 million for the year ended 31 December 2013 to approximately RMB20.0 million for the year ended 31 December 2014. The increase was primarily due to (i) an increase in research and development cost of approximately RMB1.0 million; (ii) an increase in salaries and welfare expense of approximately RMB0.8 million as a result of increase in the average number of administration and management staff, from 237 for the year ended 31 December 2013 to 277 for the year ended 31 December 2014; and (iii) an increase in office supplies expense of approximately RMB0.6 million, and partially offset by the decrease of exchange loss of approximately RMB2.6 million.

Finance costs

Our finance costs increased by approximately RMB0.7 million, or 47.6%, from approximately RMB1.4 million for the year ended 31 December 2013 to approximately RMB2.1 million for the year ended 31 December 2014. The increase was mainly attributable to a larger amount of short term borrowings raised during the year.

Income tax expense

Our income tax expense increased by approximately RMB7.0 million, or 55.0%, from approximately RMB12.7 million for the year ended 31 December 2013 to approximately RMB19.7 million for the year ended 31 December 2014. Our effective tax rate decreased from approximately 25.5% to 25.2% was primarily due to the tax effects of the decrease of non-deductible expenses.

Profit for the year and net profit margin

As a result of foregoing, our net profit increased by approximately RMB21.4 million, or 57.5%, from approximately RMB37.2 million for the year ended 31 December 2013 to approximately RMB58.6 million for the year ended 31 December 2014 and our net profit margin increased from approximately 12.5% for the year ended 31 December 2013 to approximately 14.7% for the year ended 31 December 2014.

Year ended 31 December 2013 compared to year ended 31 December 2012

Revenue

Our revenue increased by approximately RMB53.0 million, or 21.5%, from approximately RMB245.8 million for the year ended 31 December 2012 to approximately RMB298.8 million for the year ended 31 December 2013. The increase was mainly attributable to the following reasons:

- (i) an increase in revenue of approximately 19.4% from our CMS business from approximately RMB194.2 million for the year ended 31 December 2012 to

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approximately RMB231.9 million for the year ended 31 December 2013 resulting from the satisfaction from our CMS customers with our Group's product quality and delivery time and commenced bulk purchases;

- (ii) an increase in revenue of approximately 29.6% from our OBM business from approximately RMB51.6 million for the year ended 31 December 2012 to approximately RMB66.9 million for the year ended 31 December 2013. Such increase was mainly attributable to the successful implementation of our strategy in expanding our OBM cosplay wigs under our own brand "Styler", resulting in a significant increase in the sale from OBM cosplay wigs, and offset by a slightly decrease in the sale of our OBM cosplay costumes and OBM sexy lingerie.

Cost of sales

Our cost of sales increased by approximately RMB36.9 million, or 20.3%, from approximately RMB182.1 million for the year ended 31 December 2012 to approximately RMB219.0 million for the year ended 31 December 2013. The components of cost of sales increased generally in line with our increase in revenue.

Gross profit and gross profit margin

As a result of foregoing, our gross profit increased by approximately RMB16.0 million, or 25.1%, from approximately RMB63.8 million for the year ended 31 December 2012 to approximately RMB79.8 million for the year ended 31 December 2013. Our gross profit margin increased from approximately 25.9% for the year ended 31 December 2012 to approximately 26.7% for the year ended 31 December 2013 and was primarily due to the general increase in gross profit margin in cosplay wigs and cosplay costumes products offset by the slight decrease in gross profit margin in OBM sexy lingerie products. The increase in gross profit margin in cosplay wigs and cosplay costumes products was mainly due to the economies of scale achieved by our increased scale of production with increasing orders from our customers.

Other income

Our other income decreased by approximately RMB0.2 million, or 30.3%, from approximately RMB0.8 million for the year ended 31 December 2012 to approximately RMB0.6 million for the year ended 31 December 2013. The decrease was primarily due to the decrease in other income from sales of scarfs and gloves in 2013.

Selling expenses

Our selling expenses increased by approximately RMB1.7 million, or 22.8%, from approximately RMB7.5 million for the year ended 31 December 2012 to approximately RMB9.2

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million for the year ended 31 December 2013. The increase was primarily due to (i) an increase in salaries and welfare expense of approximately RMB0.7 million; and (ii) an increase in transportation expenses of approximately RMB0.3 million of our CMS and OBM products resulting from our increased export sales to overseas.

Administrative and other operating expenses

Our administrative and other operating expenses increased by approximately RMB4.7 million, or 31.5%, from approximately RMB15.1 million for the year ended 31 December 2012 to approximately RMB19.8 million for the year ended 31 December 2013. The increase was primarily due to (i) an increase in exchange loss of approximately RMB2.1 million as a result of converting foreign currencies to Renminbi; (ii) an increase in research and development cost of approximately RMB1.7 million; and (iii) an increase in salaries and welfare expense of RMB0.6 million as a result of increase in the average number of administration and management staff, from 200 for the year ended 31 December 2012 to 237 for the year ended 31 December 2013.

Finance costs

Our finance costs decreased by approximately RMB0.6 million, or 30.4%, from approximately RMB2.0 million for the year ended 31 December 2012 to approximately RMB1.4 million for the year ended 31 December 2013. The decrease was primarily due to the decrease in interest rate of the bank loans during the year.

Income tax expense

Our income tax expense increased by approximately RMB2.5 million, or 24.5%, from approximately RMB10.2 million for the year ended 31 December 2012 to approximately RMB12.7 million for the year ended 31 December 2013. Our effective tax rate remained at 25.5% for the years ended 31 December 2012 and 2013.

Profit for the year and net profit margin

As a result of foregoing, our net profit increased by approximately RMB7.4 million, or 24.9%, from approximately RMB29.8 million for the year ended 31 December 2012 to approximately RMB37.2 million for the year ended 31 December 2013 and our net profit margin increased from approximately 12.1% for the year ended 31 December 2012 to approximately 12.5% for the year ended 31 December 2013.

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CURRENT ASSETS AND LIABILITIES

Our current assets and liabilities as at the respective reporting dates indicated are as follows:

	As at 31 December			As at 31 March	As at 31 July
	2012	2013	2014	2015	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
					<i>(Unaudited)</i>
CURRENT ASSETS					
Inventories	28,177	29,051	24,039	21,209	22,374
Trade and other receivables	12,321	15,961	24,256	28,658	49,536
Prepaid land lease payments	89	293	293	293	293
Cash and cash equivalents	<u>32,683</u>	<u>42,207</u>	<u>44,808</u>	<u>41,584</u>	<u>83,491</u>
Total current assets	<u>73,270</u>	<u>87,512</u>	<u>93,396</u>	<u>91,744</u>	<u>155,694</u>
 CURRENT LIABILITIES					
Trade and other payables	24,580	15,536	15,888	24,030	72,308
Short term borrowings	12,407	22,000	64,677	57,528	53,655
Income tax payable	<u>2,753</u>	<u>3,368</u>	<u>3,761</u>	<u>3,817</u>	<u>3,405</u>
Total current liabilities	<u>39,740</u>	<u>40,904</u>	<u>84,326</u>	<u>85,375</u>	<u>129,368</u>
NET CURRENT ASSETS	<u>33,530</u>	<u>46,608</u>	<u>9,070</u>	<u>6,369</u>	<u>26,326</u>

Our net current assets position increased from approximately RMB6.4 million as at 31 March 2015 to approximately RMB26.3 million as at 31 July 2015, which was primarily attributable to (i) an increase in inventories of approximately RMB1.2 million; (ii) an increase in trade and other receivables of approximately RMB20.9 million; (iii) an increase in cash and cash equivalents of approximately RMB41.9 million; (iv) a decrease in income tax payable of approximately RMB0.4 million; (v) a decrease in short term borrowings of approximately 3.9 million; and partially offset by an increase in trade and other payables of approximately RMB48.3 million.

Our net current assets position decreased from approximately RMB9.1 million as at 31 December 2014 to approximately RMB6.4 million as at 31 March 2015, which was primarily attributable to (i) a decrease in inventories of approximately RMB2.8 million; (ii) a decrease in cash and cash equivalents of approximately RMB3.2 million; (iii) an increase in trade and other payables of approximately RMB8.1 million; (iv) an increase in income tax payable of

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approximately RMB0.1 million; and partially offset by (i) an increase in trade and other receivables of approximately RMB4.4 million; and (ii) a decrease in short term borrowings of approximately RMB7.1 million.

Our net current assets position decreased from approximately RMB46.6 million as at 31 December 2013 to approximately RMB9.1 million as at 31 December 2014, which was primarily attributable to (i) a decrease in inventories of approximately RMB5.0 million; (ii) an increase in short term borrowings of approximately RMB42.7 million; (iii) an increase in trade and other payables of approximately RMB0.4 million; (iv) an increase in income tax payable of approximately RMB0.4 million; and partially offset by (i) an increase in trade and other receivables of approximately RMB8.3 million; and (ii) an increase in cash and cash equivalents of approximately RMB2.6 million.

Our net current assets position increased from approximately RMB33.5 million as at 31 December 2012 to approximately RMB46.6 million as at 31 December 2013, which was primarily attributable to (i) an increase in inventories of approximately RMB0.9 million; (ii) an increase in trade and other receivables of approximately RMB3.6 million; (iii) an increase in prepaid land lease payments of approximately RMB0.2 million; (iv) an increase in cash and cash equivalents of approximately RMB9.5 million; (v) a decrease in trade and other payables of approximately RMB9.0 million; and partially offset by (i) an increase in short term borrowings of approximately RMB9.6 million; and (ii) an increase in income tax payable of approximately RMB0.6 million.

Inventories

Overview

Our inventories comprise of raw materials, work in progress and finished goods. Raw materials include mainly fabrics, synthetic fibres, wig cap, hair accessories, packaging materials and costume accessories. Work in progress represented semi-finished products. Finished goods mainly represented the cosplay wigs, cosplay costumes and sexy lingerie produced in our production facilities.

Our inventories accounted for approximately 38.5%, 33.2%, 25.7% and 23.1% of our total current assets as at 31 December 2012, 2013 and 2014 and 31 March 2015, respectively.

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The following table sets forth a summary of our inventories balances as at the respective financial position dates below:

	As at 31 December			As at
	2012	2013	2014	31 March
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials	14,477	25,285	20,076	16,284
Work in progress	503	92	419	1,548
Finished goods	<u>13,197</u>	<u>3,674</u>	<u>3,544</u>	<u>3,377</u>
	<u>28,177</u>	<u>29,051</u>	<u>24,039</u>	<u>21,209</u>

Our inventories decreased by approximately 11.8% or RMB2.8 million, from approximately RMB24.0 million as at 31 December 2014 to approximately RMB21.2 million as at 31 March 2015, primarily due to a decrease in raw materials of RMB3.8 million resulting from a comparatively less orders from customers received on or around 31 March 2015 and partially offset by an increase in work in progress of approximately RMB1.1 million from approximately RMB0.4 million as at 31 December 2014 to approximately RMB1.5 million as at 31 March 2015.

Our inventories decreased by approximately 17.3% or RMB5.1 million, from approximately RMB29.1 million as at 31 December 2013 to approximately RMB24.0 million as at 31 December 2014, primarily due to a relatively high level of raw materials purchased by us in order to meet large amount of orders we received in late 2013.

Our inventories increased by approximately 3.1% or RMB0.9 million, from approximately RMB28.2 million as at 31 December 2012 to approximately RMB29.1 million as at 31 December 2013, primarily due to an increase in raw materials to meet large amount of orders we received in late 2013, and partially offset by a decrease in finished goods. A relatively high level of finished goods as at 31 December 2012 was mainly due to accumulation of stock in previous years and which all subsequently sold in 2013 onwards with gross profit margin.

Production life cycle and production lead time

Our Group produces finished goods based on customers' purchase orders. Our Group's customers generally place their purchase orders approximately four to six weeks before the commencement of production for our Group to manage the purchasing lead time of raw materials. The production time usually takes approximately minimum four weeks subject to order size. In general, the production life cycle and production lead time from the date of the purchase orders made by the customers to the date of the shipment of finished goods take approximately eight to ten weeks, subject to shipment date as determined by customers.

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Inventories management

We closely monitor our inventory and maintains it on a weighted average basis. We will continue to actively monitor our inventory levels and seek to maintain a low level of inventory. We also maintain an inventory management policy whereby a full stock take is performed on quarterly basis and ensure the accuracy of stock-in and stock-out information on record. Throughout the year, we review the stock-taking records and performs inventory ageing analysis to ensure inventories are properly used and that there is no unnecessary accumulation of aged inventories.

As each of our customers may provide designs or adopt designs created by us and/or specify its own preference for raw materials, we, in normal circumstances, procure raw materials and other accessories from our suppliers for production only after the customers have confirmed their purchase orders and their specifications.

Inventories provision policies

Inventories are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses. Cost is calculated using the weighted average method.

Our management review our inventories at the end of the reporting period and make provision of inventories that are no longer suitable for use in production to net realisable value. Our management estimates the net realisable value for such items primarily based on the latest invoice prices and current market conditions. We carry out an inventory review by performing an aging analysis at the end of the reporting period and making provision of inventories to net realisable value. During the Track Record Period, no provision of inventories was made.

Inventories turnover days

The following table sets out our average inventories turnover days during the Track Record Period:

	For the year ended 31 December			For the three months ended
	2012	2013	2014	31 March 2015
Average inventories turnover days	<u>46</u>	<u>48</u>	<u>34</u>	<u>29</u>

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Note: Inventories turnover days is calculated based on the average of the beginning and ending balance of inventories divided by cost of sales for the year or period, then multiplied by the number of days of the year or period (i.e. 365 days for a full year and 90 days for the three months ended 31 March).

Our average inventories turnover days were approximately 46 days, 48 days, 34 days and 29 days for the years ended 31 December 2012, 2013 and 2014 and the three months ended 31 March 2015, respectively. The decreasing trend in average inventories turnover days during Track Record Period was primarily attributable to the shortening of our product production cycle by improving our production effectiveness and efficiency.

We have finished goods of approximately RMB12.3 million and RMB 2.8 million aged over 365 days as at 31 December 2012 and 2013 respectively. The accumulation of such finished goods were mainly due to excess production of products over the quantity ordered by our customers in previous years.

These finished goods mainly represented the hand-made accessories, such as hair pieces, eyelashes and cosmetics jewelries, which were frequently applied to different cosplay wigs and cosplay costumes, thus our Group may produce excess quantity over the amounts ordered by customers as buffer. Followed the improved inventory management control system as disclosed in the section headed “Business — Inventory Management” in this prospectus, our Group noticed the above accumulation of hand-made accessories and to avoid further accumulation of inventories and storage cost, most hand-made accessories were purchased from suppliers in late 2011. All the above aged over 365 days finished goods were subsequently utilised in both CMS and OBM products and sold in 2013 onwards with gross profit margin.

Having considered that (i) the finished goods were excess productions over the quantity ordered by the customers; and (ii) all finished goods aged over 365 days were subsequently sold in 2013 onwards and no finished goods aged over 365 days were kept as at 31 March 2015, the Directors believe that the inventories turnover days of 46 days, 48 days, 34 days, and 29 days were in line with our production cycle during the Track Record Period.

As at 31 July 2015, approximately RMB19.0 million, or representing approximately 90.4% of our inventories balance as at 31 March 2015 had been utilised or sold.

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Trade and other receivables

The following table sets out our trade and other receivables balances as at the respective financial position dates indicated:

	As at 31 December			As at
	2012	2013	2014	31 March
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables				
— from third parties	<u>4,453</u>	<u>5,930</u>	<u>14,416</u>	<u>14,105</u>
Deposits, prepayments and other receivables				
Prepayments	581	173	574	3,190
Prepayments for construction materials	—	—	1,643	959
Prepaid rental	2,342	2,365	218	—
Other tax receivables	4,204	4,844	4,753	7,338
Deposits	—	1,980	1,980	1,980
Other receivables	<u>741</u>	<u>669</u>	<u>672</u>	<u>1,086</u>
	<u>7,868</u>	<u>10,031</u>	<u>9,840</u>	<u>14,553</u>
	<u>12,321</u>	<u>15,961</u>	<u>24,256</u>	<u>28,658</u>

Trade and other receivables are initially recognised at fair value and thereafter stated as amortised cost, using the effective interest method, less any identified impairment losses. During the Track Record Period, we have made no impairment on trade and other receivables.

Our Directors consider that the fair values of trade and other receivables are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

We usually require advance deposits from our customers. Before accepting any new customer, we applied an internal credit assessment policy to assess the potential customer's credit quality. The credit period is generally for a period of 30 days. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

Our other tax receivables mainly include VAT recoverable and export tax rebates receivables.

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Our trade and other receivables represented approximately 16.8%, 18.2%, 26.0% and 31.2% of our total current assets as at 31 December 2012, 2013 and 2014 and 31 March 2015, respectively.

Our trade and other receivables increased by approximately 18.1% or RMB4.4 million, from approximately RMB24.3 million as at 31 December 2014 to approximately RMB28.7 million as at 31 March 2015, primarily due to (i) an increase in the deposit paid for procurement of raw materials of approximately RMB2.6 million; (ii) an increase in other tax receivables of approximately RMB2.6 million; and partially offset by a decrease of the prepayment for the procurement of construction materials for the Yiwu Production Plant of approximately RMB0.7 million.

Our trade and other receivables increased by approximately 52.0% or RMB8.3 million, from approximately RMB16.0 million as at 31 December 2013 to approximately RMB24.3 million as at 31 December 2014, primarily due to an increase in trade receivables from approximately RMB5.9 million in 2013 to RMB14.4 million in 2014. Such increase was in line with the revenue growth in 2014.

Our trade and other receivables increased by approximately 29.5% or RMB3.6 million, from approximately RMB12.3 million as at 31 December 2012 to approximately RMB16.0 million as at 31 December 2013, primarily due to (i) increase in trade receivables which was in line with the revenue growth in 2013; and (ii) increase in deposits of land use rights of approximately RMB2.0 million in 2013.

Trade receivables turnover days

The following table sets out our average trade receivables turnover days during the Track Record Period:

	For the year ended 31 December			For the three months ended 31 March
	2012	2013	2014	2015
Average trade receivables turnover days	<u>6</u>	<u>6</u>	<u>9</u>	<u>13</u>

Note: Trade receivables turnover days is calculated based on the average of the beginning and ending balance of trade receivables divided by revenue for the year or period, then multiplied by the number of days of the year or period (i.e. 365 days for a full year and 90 days for the three months ended 31 March).

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Our average trade receivables turnover days were approximately 6 days, 6 days, 9 days and 13 days for the years ended 31 December 2012, 2013 and 2014 and the three months ended 31 March 2015, respectively. The average trade receivables turnover days was maintained at relatively low level during the Track Record Period.

An aged analysis of the trade receivables at the end of each of the Track Record Period, based on the invoice date and net of impairment, is as follows:

	As at 31 December			As at
	2012	2013	2014	31 March
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
0-30 days	3,334	5,892	12,834	13,790
31-60 days	68	—	1,582	305
61-90 days	13	—	—	—
91-365 days	—	—	—	10
Over 365 days	<u>1,038</u>	<u>38</u>	<u>—</u>	<u>—</u>
 Total	 <u>4,453</u>	 <u>5,930</u>	 <u>14,416</u>	 <u>14,105</u>

As at 31 December 2012, 2013 and 2014 and 31 March 2015, no trade receivables were individually determined to be impaired, respectively.

The ageing analysis of trade receivables at the end of the Track Record Period that are not individually nor collectively considered to be impaired is as follows:

	As at 31 December			As at
	2012	2013	2014	31 March
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Neither past due nor impaired	3,334	5,892	12,834	13,790
1-30 days past due	68	—	1,582	305
31-60 days past due	13	—	—	—
61-90 days past due	—	—	—	—
Over 90 days past due	<u>1,038</u>	<u>38</u>	<u>—</u>	<u>10</u>
 Total	 <u>4,453</u>	 <u>5,930</u>	 <u>14,416</u>	 <u>14,105</u>

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Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with us. Based on past experience, our Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. We do not hold any collateral or other credit enhancements over these balances.

As at 31 July 2015, approximately RMB14.1 million, representing all of our trade receivables outstanding as at 31 March 2015 had been settled.

Trade and other payables

The following table sets out our trade and other payables balances as at the respective financial position dates indicated:

	As at 31 December			As at
	2012	2013	2014	31 March
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade and bills payables				
— to third parties	<u>6,848</u>	<u>7,027</u>	<u>7,187</u>	<u>13,530</u>
Accrued charges and other payables				
— Deposits from customers	10,225	2,607	1,870	938
— Salaries payable	5,990	5,125	5,938	6,174
— Other tax payables	406	593	513	1,417
— Other payables	1,111	184	380	1,074
— Amount due to a shareholder	<u>—</u>	<u>—</u>	<u>—</u>	<u>897</u>
	<u>17,732</u>	<u>8,509</u>	<u>8,701</u>	<u>10,500</u>
	<u>24,580</u>	<u>15,536</u>	<u>15,888</u>	<u>24,030</u>

Amount due to a shareholder is unsecured, interest free and without fixed repayment terms and all of the outstanding amount due to a shareholder as at 31 March 2015 was fully settled as at the Latest Practicable Date.

Our trade and other payables increased by approximately 51.2% or RMB8.1 million, from approximately RMB15.9 million as at 31 December 2014 to approximately RMB24.0 million as at 31 March 2015, primarily due to (i) an increase in trade payables of approximately RMB6.3 million for purchasing of raw materials as at 31 March 2015; and (ii) an increase in other payable

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and amount due to a shareholder of approximately RMB0.7 million and RMB0.9 million from 31 December 2014 to 31 March 2015 respectively. Amount due to a shareholder was mainly attributable to the listing expenses temporarily paid by Mr. Chen Sheng Guan on behalf of the Company to professional parties related to the Listing.

Our trade and other payables increased slightly by approximately 2.3% or RMB0.4 million, from approximately RMB15.5 million as at 31 December 2013 to approximately RMB15.9 million as at 31 December 2014.

Our trade and other payables decreased by approximately 36.8% or RMB9.0 million, from approximately RMB24.6 million as at 31 December 2012 to approximately RMB15.5 million as at 31 December 2013 primarily due to a decrease in deposits from customers of approximately RMB7.6 million. A relatively high level of deposits from customers as at 31 December 2012 was mainly due to some purchase orders received in late 2012 were shipped to our customers in early 2013. The amount of deposits from customers was consistent with the high level of finished goods as at 31 December 2012.

Trade payables turnover days

The following table sets out our average trade payables turnover days during the Track Record Period:

	For the year ended 31 December			For the three months ended
	2012	2013	2014	31 March 2015
Average trade payables turnover days	<u>12</u>	<u>12</u>	<u>9</u>	<u>13</u>

Note: Trade payables turnover days is calculated based on the average of the beginning and ending balance of trade payables divided by cost of sales for the year or period, then multiplied by the number of days of the year or period (i.e. 365 days for a full year and 90 days for the three months ended 31 March).

Our average trade payables turnover days were approximately 12 days, 12 days, 9 days and 13 days for the years ended 31 December 2012, 2013 and 2014 and the three months ended 31 March 2015, respectively. The average trade payables turnover days was maintained at a relatively low level during the Track Record Period.

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We were granted by our suppliers credit periods ranging from 15 to 60 days. An aged analysis of the trade payables at the end of the Track Record Period, based on the invoice date, is as follows:

	As at 31 December			As at
	2012	2013	2014	31 March
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
0-30 days	6,848	7,027	7,187	13,455
31-60 days	<u>—</u>	<u>—</u>	<u>—</u>	<u>75</u>
	<u>6,848</u>	<u>7,027</u>	<u>7,187</u>	<u>13,530</u>

All amounts are short term and hence the carrying values of trade and other payables are considered to be a reasonable approximation of their fair value.

As at 31 July 2015, approximately RMB13.5 million, representing all of our trade payables outstanding as at 31 March 2015 had been settled.

Short term borrowings

	As at 31 December			As at
	2012	2013	2014	31 March
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Bank loan, secured	<u>12,407</u>	<u>22,000</u>	<u>64,677</u>	<u>57,528</u>

Our short term borrowing balances as at 31 December 2012, 2013 and 2014 and 31 March 2015 were approximately RMB12.4 million, RMB22.0 million, RMB64.7 million and RMB57.5 million, respectively. Such increases were primarily for the purpose of increasing our level of working capital and the construction of our Yiwu Production Plant. The decrease as at 31 March 2015 primarily reflected the continuing of repayment of bank loan by our Group during the three months ended 31 March 2015.

As at 31 December 2012 and 2013, 2014 and 31 March 2015, bank loans bear interest from 8.20%, 6.60% to 7.20%, 4.35% to 8.40% and 6.60% to 8.40% per annum respectively.

Our bank loans was secured by certain assets of us for each of the reporting period and also personal guarantees given by, among others, Mr. Chen and Mr. Chen Sheng Guan as at 31 December 2014 and 31 March 2015. As at the Latest Practicable Date, all bank borrowings guaranteed by, among others, Mr. Chen and Mr. Chen Sheng Guan were repaid by us.

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LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash are to satisfy working capital needs and capital expenditure requirements. During the Track Record Period, our working capital needs and capital expenditure requirements have been generally financed through a combination of internally generated cash flows and bank borrowings. Going forward, the Directors expect to fund the Group's working capital, capital expenditures and other capital requirements with a combination of sources, including but not limited to internally generated cash flows, bank borrowings and equity financing.

Cash flows

The following table sets forth selected cash flows data from our combined statements of cash flows during the Track Record Period:

	For the year ended			For the three	
	31 December			months ended	
	2012	2013	2014	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
					<i>(unaudited)</i>
Net cash generated from operating activities	32,564	27,168	57,171	8,946	20,589
Net cash used in investing activities	(1,908)	(17,120)	(97,468)	(7,041)	(16,610)
Net cash (used in)/generated from financing activities	<u>(31,998)</u>	<u>(268)</u>	<u>42,677</u>	<u>28,000</u>	<u>(7,218)</u>
Net (decrease)/increase in cash and cash equivalents	(1,342)	9,780	2,380	29,905	(3,239)
Cash and cash equivalents at the beginning of the year/period	34,307	32,683	42,207	42,207	44,808
Effect of foreign exchange rate changes	<u>(282)</u>	<u>(256)</u>	<u>221</u>	<u>(249)</u>	<u>15</u>
Cash and cash equivalents at the end of the year/period	<u>32,683</u>	<u>42,207</u>	<u>44,808</u>	<u>71,863</u>	<u>41,584</u>

Net cash generated from operating activities

Our cash flow generated from operating activities primarily comprises our profit before income tax adjusted for non-cash items, including but not limited to amortisation of intangible assets and depreciation, and the effect of changes in trade and other receivables and payables.

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For the three months ended 31 March 2015, our net cash generated from operating activities was approximately RMB20.6 million, reflecting cash generated from operations of approximately RMB25.9 million, net of interest paid and income taxes paid of approximately RMB0.8 million and RMB4.5 million respectively. Our cash generated from operations for the three months ended 31 March 2015 was approximately RMB25.9 million, while our profit before income tax was approximately RMB17.2 million. The difference represents positive adjustments for non-cash items, including but not limited to amortisation of intangible assets and depreciation, in the amount of approximately RMB2.0 million and positive working capital adjustments in the amount of approximately RMB6.7 million. Our positive working capital adjustments primarily included (i) increase in trade and other payables of approximately RMB8.1 million due to the increase of trade payables of approximately RMB6.3 million for procurement of raw materials; (ii) decrease in inventories of approximately RMB2.8 million, partially offset by increase in trade and other receivables of approximately RMB4.3 million.

For the three months ended 31 March 2014, our net cash generated from operating activities was approximately RMB8.9 million, reflecting cash generated from operations of approximately RMB13.1 million, net of interest paid and income taxes paid of approximately RMB0.4 million and RMB3.8 million respectively. Our cash generated from operations for the three months ended 31 March 2014 was approximately RMB13.1 million, while our profit before income tax was approximately RMB6.2 million. The difference represents positive adjustments for non-cash items, including but not limited to amortisation of intangible assets and depreciation, in the amount of approximately RMB1.4 million and positive working capital adjustments in the amount of approximately RMB5.5 million. Our positive working capital adjustments primarily included increase in trade and other payables of approximately RMB31.9 million, partially offset by (i) increase in inventories of approximately RMB26.4 million; and (ii) increase in trade and other receivables of approximately RMB17,000.

For the year ended 31 December 2014, our net cash generated from operating activities was approximately RMB57.2 million, reflecting cash generated from operations of approximately RMB78.5 million, net of interest paid and income taxes paid of approximately RMB2.1 million and RMB19.3 million respectively. Our cash generated from operations for the year ended 31 December 2014 was approximately RMB78.5 million, while our profit before income tax was approximately RMB78.3 million. The difference represents positive adjustments for non-cash items, including but not limited to amortisation of intangible assets and depreciation, in the amount of approximately RMB5.1 million and negative working capital adjustments in the amount of approximately RMB4.9 million. Our negative working capital adjustments primarily included increase in trade and other receivables of approximately RMB10.5 million primarily related to increase in revenue for the year, partially offset by (i) increase in trade and other payables of approximately RMB0.6 million; and (ii) decrease in inventories of approximately RMB5.0 million as a result of a relatively high level of raw materials purchased by us in order to meet the purchase orders we received in late 2013.

For the year ended 31 December 2013, our net cash generated from operating activities was approximately RMB27.2 million, reflecting cash generated from operations of approximately

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RMB40.7 million, net of interest paid and income taxes paid of approximately RMB1.4 million and RMB12.1 million respectively. Our cash generated from operations for the year ended 31 December 2013 was approximately RMB40.7 million, while our profit before income tax was approximately RMB49.9 million. The difference represents positive adjustments for non-cash items, including but not limited to amortisation of intangible assets and depreciation, in the amount of approximately RMB4.0 million and negative working capital adjustments in the amount of approximately RMB13.2 million. Our negative working capital adjustments primarily included (i) increase in inventories of approximately RMB0.9 million; (ii) increase in trade and other receivables of approximately RMB3.3 million primarily related to increase in deposits of land use rights and (iii) decrease in trade and other payables of approximately RMB9.0 million as a result of decrease in deposits from customers.

For the year ended 31 December 2012, our net cash generated from operating activities was approximately RMB32.6 million, reflecting cash generated from operations of approximately RMB44.0 million, net of interest paid and income taxes paid of approximately RMB2.0 million and RMB9.4 million respectively. Our cash generated from operations for the year ended 31 December 2012 was approximately RMB44.0 million, while our profit before income tax was approximately RMB40.0 million. The difference represents positive adjustments for non-cash items, including but not limited to amortisation of intangible assets and depreciation, in the amount of approximately RMB5.0 million and negative working capital adjustments in the amount of approximately RMB0.9 million. Our negative working capital adjustments primarily included (i) increase in inventories of approximately RMB10.3 million primarily related to high level of finished goods in 2012; and (ii) increase in trade and other receivables of approximately RMB167,000; and partially offset by increase in trade and other payables of approximately RMB9.5 million primarily related to increase of deposits from customers which is in line with our higher turnover.

Net cash used in investing activities

Our net cash used in investing activities primarily related to interest received, purchase of prepaid land lease payments, purchase of property, plant and equipment, proceeds from disposal of property, plant and equipment and net cash inflow from disposal of a subsidiary.

For the three months ended 31 March 2015, our net cash used in investing activities was approximately RMB16.6 million, which was mainly attributable to purchase of property, plant and equipment of approximately RMB16.7 million, partially offset by interest received of approximately RMB46,000.

For the three months ended 31 March 2014, our net cash used in investing activities was approximately RMB7.0 million, which was mainly attributable to purchase of property, plant and equipment of approximately RMB7.1 million, partially offset by interest received of approximately RMB46,000.

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For the year ended 31 December 2014, our net cash used in investing activities was approximately RMB97.5 million, which was mainly attributable to purchase of property, plant and equipment of approximately RMB99.7 million, partially offset by (i) interest received of approximately RMB241,000; and (ii) net cash inflow from disposal of a subsidiary of approximately RMB1.9 million.

For the year ended 31 December 2013, our net cash used in investing activities was approximately RMB17.1 million, which was mainly attributable to (i) purchase of prepaid land lease payments of approximately RMB10.2 million; and (ii) purchase of property, plant and equipment of approximately RMB7.1 million, partially offset by interest received of approximately RMB161,000.

For the year ended 31 December 2012, our net cash used in investing activities was approximately RMB1.9 million, which was mainly attributable to purchase of property, plant and equipment of approximately RMB2.1 million, and partially offset by interest received of approximately RMB127,000.

Net cash (used in)/generated from financing activities

Our net cash (used in)/generated from financing activities mainly related to proceeds from and repayment of bank borrowings, deemed distribution to shareholders, proceeds from issuance of share capital, proceeds from increase in paid up capital of Jiangxi Styler and dividends paid.

For the three months 31 March 2015, our net cash used in financing activities was approximately RMB7.2 million, which was mainly attributable to repayment of bank borrowings of approximately RMB12.8 million, partially offset by proceeds from bank borrowings of approximately RMB5.6 million.

For the three months 31 March 2014, our net cash generated from financing activities was approximately RMB28.0 million, which was mainly attributable to proceeds from bank borrowings of approximately RMB28.0 million.

For the year ended 31 December 2014, our net cash generated from financing activities was approximately RMB42.7 million, which was mainly attributable to proceeds from bank borrowings of approximately RMB73.4 million, and partially offset by repayment of bank borrowings of approximately RMB30.7 million.

For the year ended 31 December 2013, our net cash used in financing activities was approximately RMB268,000, which was mainly attributable to (i) repayment of bank borrowings of approximately RMB26.7 million; (ii) dividends paid of approximately RMB20.0 million, and partially offset by (i) proceeds from bank borrowings of approximately RMB36.4 million; and (ii) proceeds from increase in paid up capital of Jiangxi Styler of approximately RMB10.0 million.

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For the year ended 31 December 2012, our net cash used in financing activities was approximately RMB32.0 million, which was mainly attributable to (i) repayment of bank borrowings of approximately RMB54.5 million; (ii) dividend paid of approximately RMB20.0 million; (iii) deemed distribution to shareholders in respect of acquisition of Yiwu Styler by Jiangxi Styler from Mr. Chen, Ms. Li Lin and Mr. Chen Sheng Guan of approximately RMB0.5 million; and partially offset by proceeds from bank borrowings of approximately RMB43.0 million.

SELECTED KEY FINANCIAL RATIOS

The following table sets out our key financial ratios during the Track Record Period:

	As at/for the year ended			As at/for the three months ended
	31 December			31 March
	2012	2013	2014	2015
	%	%	%	%
Gross profit margin (Note 1)	25.9	26.7	27.8	27.7
Net profit margin (Note 2)	12.1	12.5	14.7	13.0
Return on total assets (Note 3)	28.1	27.6	24.7	— ^(Note 9)
Return on equity (Note 4)	44.9	39.5	38.4	— ^(Note 9)
Current ratio (Note 5)	184.4	213.9	110.8	107.5
Quick ratio (Note 6)	113.5	142.9	82.2	82.6
Gearing ratio (Note 7)	18.7	23.4	42.3	34.8
Net gearing ratio (Note 8)	— ^(Note 10)	— ^(Note 10)	13.0	9.6

Notes:

1. Gross profit margin equals to gross profit for the year/period divided by revenue and multiplied by 100%.
2. Net profit margin equals to profit for the year/period divided by revenue and multiplied by 100%.
3. Return on total assets equals to profit for the year/period divided by total assets and multiplied by 100%.
4. Return on equity equals to profit for the year/period divided by total equity and multiplied by 100%.
5. Current ratio is calculated by dividing total current assets by total current liabilities and multiplied by 100%.
6. Quick ratio is calculated by dividing total current assets net of inventories by total current liabilities and multiplied by 100%.
7. Gearing ratio is calculated by dividing total debt by total equity and multiplying by 100%. Total debt is defined to include short term borrowings.
8. Net gearing ratio is calculated by dividing net debt by total equity and multiplying by 100%. Net debt is defined to include short term borrowings net of cash and cash equivalents.
9. Calculation of return on equity and return on total assets is on a full year basis.
10. Net cash position of our Group as at 31 December 2012 and 2013.

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Key financial ratios

Gross profit margin

Our gross profit margin remained relatively stable being approximately 25.9%, 26.7%, 27.8%, and 27.7% for each of the three years ended 31 December 2014 and the three months ended 31 March 2015 respectively. Please refer to the paragraph headed “Business — Gross Profit and Gross Profit Margin” in this prospectus.

Net profit margin

Our net profit margin remained relatively stable being approximately 12.1%, 12.5%, 14.7% and 13.0% for each of the three years ended 31 December 2014 and the three months ended 31 March 2015 respectively.

Return on total assets

As at 31 December 2012, 2013 and 2014, our return on total assets was approximately 28.1%, 27.6%, and 24.7%, respectively. Although our revenue was increasing during the Track Record Period, the decreasing trend in our return on total assets during the Track Record Period was primarily due to (i) an increase in asset base as a result of reinvestment of retained earnings in 2013 and 2014; and (ii) the setup of the Yiwu Production Plant that increased our property, plant and equipment in 2014.

Return on equity

As at 31 December 2012, 2013 and 2014, our return on total equity was approximately 44.9%, 39.5% and 38.4%, respectively. Although our revenue was increasing during the Track Record Period, the decreasing trend in our return on equity during the Track Record Period was primarily due to an increase in equity base as a result of reinvestment of retained earnings in 2013 and 2014, partially offset by dividend of approximately RMB20 million and approximately RMB20 million was paid out by Jiangxi Styler to its then equity owner for the year ended 31 December 2012 and 2013 respectively.

Current ratio

As at 31 December 2012, 2013 and 2014 and 31 March 2015, our current ratio was approximately 184.4%, 213.9%, 110.8% and 107.5%, respectively. The decreasing trend in our current ratio during 2013 to the 1st quarter of 2015 was primarily due to the increase in trade payables for purchasing of raw materials and increase in short term borrowing for the purpose of the construction of our Yiwu Production Plant in the corresponding period. Please refer to the paragraph headed “CURRENT ASSETS AND LIABILITIES” above for further details of changes in our current assets and current liabilities during the Track Record Period.

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Quick ratio

As at 31 December 2012, 2013 and 2014 and 31 March 2015, our current ratio was approximately 113.5%, 142.9%, 82.2% and 82.6%, respectively. The decreasing trend in our quick ratio during 2013 to the 1st quarter of 2015 was primarily due to the increase in trade payables for purchasing of raw materials and increase in short term borrowing for the purpose of the construction of our Yiwu Production Plant in the corresponding period. Please refer to the paragraph headed “CURRENT ASSETS AND LIABILITIES” above for further details of changes in our current assets and current liabilities during the Track Record Period.

Gearing ratio

As at 31 December 2012, 2013 and 2014 and 31 March 2015, our gearing ratio was approximately 18.7%, 23.4%, 42.3% and 34.8%, respectively. The increasing trend in our gearing ratio during 2012 to 2014 was primarily due to the increase in short term borrowing. Such increases were primarily for the purpose of increasing our level of working capital and the construction of our Yiwu Production Plant. The gearing ratio decreased to approximately 34.8% as at 31 March 2015. Such decrease was mainly due to the decrease in short term borrowings.

Net Gearing ratio

As at 31 December 2012, 2013, and 2014 and 31 March 2015, our net gearing ratio was approximately (30.5)%, (21.5)%, 13.0% and 9.6%, respectively. The negative value of net gearing ratio was mainly due to higher balance of cash and cash equivalent than the balance of few bank borrowings. The increasing trend in our net gearing ratio during 2012 to 2014 was primarily due to the increase in short term borrowings. Such increases were primarily for the purpose of increasing our level of working capital and the construction of our Yiwu Production Plant. The net gearing ratio decreased to approximately 9.6% as at 31 March 2015. Such decrease was mainly due to the repayment of short term borrowings.

INDEBTEDNESS

The following table sets out our short term borrowing as at the respective financial position dates:

	As at 31 December 2012	2013	2014	As at 31 March 2015	As at 31 July 2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Bank loan, secured	12,407	22,000	64,677	57,528	53,655
Amount due to a shareholder	—	—	—	—	5,389
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

(Unaudited)

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Secured bank loans

Our short term borrowing balances as at 31 December 2012, 2013 and 2014 and 31 March 2015 were approximately RMB12.4 million, RMB22.0 million, RMB64.7 million and RMB57.5 million, respectively. Such increases were primarily for the purpose of increasing our level of working capital and the construction of our Yiwu Production Plant. The decrease as at 31 March 2015 primarily reflected the continuing repayment of bank loan by our Group during the three months ended 31 March 2015.

As at 31 December 2012 and 2013, 2014 and 31 March 2015, bank loans bear interest from 8.20%, 6.60% to 7.20%, 4.35% to 8.40% and 6.60% to 8.40% per annum respectively.

As at 31 July 2015, our Group had banking facilities of approximately RMB53.7 million and the unutilised banking facilities was nil.

Our bank loans was secured by certain assets of us for each of the reporting period and personal guarantees given by, among others, Mr. Chen and Mr. Chen Sheng Guan as at 31 December 2014 and 31 March 2015. As at the Latest Practicable Date, all bank borrowings guaranteed by, among others, Mr. Chen and Mr. Chen Sheng Guan were repaid by us.

Amount due to a shareholder

Amount due to a shareholder was mainly attributable to the listing expenses temporarily paid by Mr. Chen Sheng Guan on behalf of the Company to professional parties related to the Listing. The amount due to a shareholder is unsecured, interest free and without fixed repayments terms. All balance will be repaid before the Listing.

As at 31 July 2015, being the latest date for the purpose of the indebtedness statement in this prospectus, there are no material covenants relating to our outstanding debts.

Save as disclosed above, we did not have outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities outstanding as at 31 July 2015. The Directors further confirm that there has not been any material change in our indebtedness position subsequent to 31 July 2015 and up to the date of this prospectus.

CONTINGENT LIABILITIES

As at 31 December 2012, 2013 and 2014, 31 March 2015 and 31 July 2015, we did not have any material contingent liabilities.

OFF BALANCE SHEET ARRANGEMENT

As at the Latest Practicable Date, we had not entered into any off-balance sheet arrangement.

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CAPITAL EXPENDITURE AND COMMITMENTS

Capital expenditure

Our capital expenditures during the Track Record Period primarily related to purchase of prepaid land lease payments and purchase of property, plant and equipment. Our capital expenditures amounted to approximately RMB2.1 million, RMB17.3 million, RMB99.7 million and RMB16.7 million for the three years ended 31 December 2014 and the three months ended 31 March 2015 respectively.

Following the completion of the Listing of our Company, we will continue to incur capital expenditure to expand our production facilities. Our capital expenditure for the year ending 31 December 2015 is expected to be approximately RMB58.8 million. For more details about our expansion plans, please see the section headed “Business — Business Strategies” in this prospectus.

Capital commitment

We had the following capital commitments as at the dates indicated:

	As at 31 December			As at 31 March	As at 31 July
	2012	2013	2014	2015	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
					<i>(Unaudited)</i>
Contracted but not provided for					
- Property, plant and equipment	<u>—</u>	<u>16,160</u>	<u>80,076</u>	<u>66,576</u>	<u>53,576</u>

Operating lease commitment

At the reporting date, the total future minimum lease payments payable by us under non-cancellable operating leases are as follows:

	As at 31 December			As at 31 March	As at 31 July
	2012	2013	2014	2015	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
					<i>(Unaudited)</i>
Land and buildings:					
Within one year	<u>104</u>	<u>102</u>	<u>218</u>	<u>—</u>	<u>—</u>

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During the Track Record Period and prior to 31 March 2015, we leased a number of properties under operating leases. The leases run for an initial period within 1 year, with an option to renew the lease and renegotiate the terms at the expiry date or at dates as mutually agreed between respective landlords and us. None of the leases include contingent rentals.

RELATED PARTY TRANSACTIONS

Please refer to the paragraph headed “Related party transactions” in note 25 to the Accountants’ Report in Appendix I to this prospectus.

WORKING CAPITAL

Our Directors are of the opinion that, taking into account the financial resources available to us, including internally generated funds, the available banking facilities and the estimated net proceeds of the Global Offering, we have sufficient working capital for our present requirements, that is for at least the next 12 months from the date of this prospectus.

LISTING EXPENSES

Assuming an Offer Price of HK\$1.03 per Share (being the mid-point of the indicative offer price range stated in this prospectus) and the Over-allotment Option is not exercised, the total estimated listing expenses in relation to the Global Offering is approximately HK\$30.2 million, of which HK\$1.6 million were charged to profit or loss during the three months ended 31 March 2015. We expect to charge approximately HK\$14.5 million of listing expense to our profit or loss for the year ending 31 December 2015 and the balance of approximately HK\$15.7 million to be capitalised.

FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

We are exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

Our exposure to these risks and the financial risk management policies and practices used by us to manage these risks are described below.

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Categories of financial assets and liabilities

The Group

	As at 31 December			As at
	2012	2013	2014	31 March
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2015
				<i>RMB'000</i>
Financial assets				
Loans and receivables:				
Trade and other receivables	5,194	8,579	17,068	17,171
Cash and cash equivalents	<u>32,683</u>	<u>42,207</u>	<u>44,808</u>	<u>41,584</u>
Total	<u><u>37,877</u></u>	<u><u>50,786</u></u>	<u><u>61,876</u></u>	<u><u>58,755</u></u>
Financial liabilities				
Measured at amortised cost:				
Trade and other payables	13,949	12,336	13,505	21,675
Short term borrowings	<u>12,407</u>	<u>22,000</u>	<u>64,677</u>	<u>57,528</u>
Total	<u><u>26,356</u></u>	<u><u>34,336</u></u>	<u><u>78,182</u></u>	<u><u>79,203</u></u>

The Company

	As at 31 March
	2015
	<i>RMB'000</i>
Financial assets	
Other receivables	<u><u>1</u></u>

Foreign currency risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Our exposures to currency risk arise from its sales to and purchases from overseas, which are primarily denominated in USD and Euro ("EUR"). These are not the functional currencies of our entities to which these transactions relate.

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Foreign currency denominated financial assets and liabilities, translated into RMB at the closing rates, are as follows:

The Group

	As at 31 December			As at
	2012	2013	2014	31 March
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Assets:				
USD	12,961	16,470	17,575	14,209
EUR	<u>1,849</u>	<u>1,849</u>	<u>—</u>	<u>—</u>
	<u>14,810</u>	<u>18,319</u>	<u>17,575</u>	<u>14,209</u>
Liabilities:				
USD	<u>3,407</u>	<u>—</u>	<u>5,507</u>	<u>5,528</u>
Net amount				
USD	9,554	16,470	12,068	8,681
EUR	<u>1,849</u>	<u>1,849</u>	<u>—</u>	<u>—</u>

The following table illustrates the sensitivity of our profit after income tax for the Track Record Period and equity as at 31 December 2012, 2013 and 2014 and 31 March 2015 in regard to an appreciation in the foreign currencies against our functional currencies. These sensitivity rates represent management's best assessment of the possible change in foreign exchange rates.

	Sensitivity rate	Increase in profit for the year/period and equity as at			31 March 2015
		2012	31 December 2013	2014	
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
USD	5%	358	618	453	326
EUR	5%	<u>69</u>	<u>69</u>	<u>—</u>	<u>—</u>
		<u>427</u>	<u>687</u>	<u>453</u>	<u>326</u>

The same percentage depreciation in the respective foreign currencies against our functional currencies would have the same magnitude on our profit after tax for the Track Record Period and equity as at 31 December 2012, 2013 and 2014 and 31 March 2015 but of opposite effect.

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Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. Borrowings bearing variable rates and fixed rates expose us to cash flow interest rate risk and fair value interest rate risk respectively. Our interest rate risk arises primarily from borrowings, which are at variable rates. As at 31 December 2012, 2013 and 2014 and 31 March 2015, balance of variable interest borrowings amounting to approximately RMB9,000,000, RMB22,000,000, RMB46,000,000 and RMB46,000,000, respectively. The exposure to interest rates for our short term bank deposits is considered immaterial.

The following table illustrates the sensitivity of our profit after income tax for the Track Record Period and equity as at 31 December 2012, 2013 and 2014 and 31 March 2015 to a possible change in interest rates.

	Decrease in profit for the year/period and equity as at			
	31 December			31 March
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Increase by 50 basis points	<u>34</u>	<u>83</u>	<u>173</u>	<u>173</u>

The same degree of decrease in basis point would have the same magnitude on our profit for the Track Record Period and equity as at 31 December 2012, 2013 and 2014 and 31 March 2015 but of opposite effect.

The assumed changes in interest rates are considered to be reasonably possible based on observation of current market conditions and represents management's assessment of a reasonably possible change in interest rate.

Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to us. Our exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations and from its investing activities.

Our maximum exposure to credit risk on recognised financial assets is limited to the carrying amount at the reporting date.

Restricted bank deposits and cash and bank balances are placed at financial institutions that have sound credit rating and we consider the credit risk to be insignificant.

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For trade and other receivables, the exposures to credit risk are monitored such that any outstanding debtors are reviewed and followed up on an ongoing basis. In the opinion of the directors, we have no significant concentration of credit risk arising from its ordinary course of business due to its large customer base. We do not hold any collateral from its debtors.

Liquidity risk

Liquidity risk relates to the risk that we will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. We are exposed to liquidity risk in respect of settlement of trade and other payables and its financing obligations, and also in respect of its cash flow management. Our objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date on when we can be required to pay. Where the settlement of the liability is in instalments, each instalment is allocated to the earliest period in which we are committed to pay.

As at 31 December 2012, 2013 and 2014 and 31 March 2015, we and our Company's remaining contractual maturities for its financial liabilities will be either on demand or within one year. The undiscounted amount of these financial liabilities are not materially different from their carrying amount because of immediate or short term maturity.

Fair value

Our management considered the carrying amounts of financial assets and liabilities of us and of the Company are not materially different from their fair values as at 31 December 2012, 2013 and 2014 and 31 March 2015.

CAPITAL MANAGEMENT

Our capital management objectives are to ensure our ability to continue as a going concern and to provide an adequate return to shareholders by pricing goods and services commensurately with the level of risk.

We actively and regularly review its capital structure and makes adjustments in light of changes in economic conditions. We monitor its capital structure on the basis of the debt to equity ratio. For this purpose debt is defined as borrowings. In order to maintain or adjust the ratio, we may adjust the amount of dividends paid to shareholders, issue new shares and raise new debt financing.

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The debt to equity ratio at each reporting date was:

	As at 31 December			As at
	2012	2013	2014	31 March
	RMB'000	RMB'000	RMB'000	2015
				RMB'000
Borrowings	<u>12,407</u>	<u>22,000</u>	<u>64,677</u>	<u>57,528</u>
Total equity	<u>66,430</u>	<u>94,076</u>	<u>152,730</u>	<u>165,354</u>
Debt to equity ratio	<u>18.7%</u>	<u>23.4%</u>	<u>42.3%</u>	<u>34.8%</u>

DIVIDEND AND DIVIDEND POLICY

During the Track Record Period, our Company did not declare and pay any dividends. For each of the three years ended 31 March 2014 and the three months ended 31 March 2015, Jiangxi Styler declared and paid dividends to its then equity owner of RMB20 million, RMB20 million, nil and nil representing a dividend payout ratio of approximately 67.1%, 53.8%, nil and nil, respectively.

Our Company currently does not have a fixed dividend policy and may distribute dividends by way of cash or by other means that our Directors consider appropriate. A decision to distribute any interim dividend or recommend any final dividend would require the approval of the Board and depend upon the following factors:

- our financial results;
- our Company's shareholders' interests;
- general business conditions, strategies and future expansion needs;
- our capital requirements;
- the payment by its subsidiaries of cash dividends to our Company;
- possible effects on liquidity and financial position of us; and
- other factors as the Board may consider relevant.

Investors should note that historical dividend distributions are not indicative of our Company's future dividend distribution policy. Our Company does not have any predetermined dividend payout ratio.

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DISTRIBUTABLE RESERVES

Our Company was incorporated on 12 February 2015 and has not carried out any business since the date of our incorporation save for the transactions related to the Reorganisation. We had no distributable reserves available for distribution to our Shareholders as at 31 March 2015.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Our business model, revenue structure and cost structure remained unchanged since 31 March 2015. Our business maintains a stable growth and the contribution by each business category is in line with the historical record. There has been no material change in the general economic and market conditions in the industry in which we operate.

Our profit for the year ending 31 December 2015 is expected to be adversely affected by the recognition of the estimated listing expense of approximately HK\$14.5 million (assuming that the Offer Price is HK\$1.03 and the Over-allotment Option is not exercised) for the year ending 31 December 2015. Our Directors believe that, on a normalised basis without taking into account the listing expense, there will not be material adverse change to our financial performance for the year ending 31 December 2015 as compared to the year ended 31 December 2014.

Based on our unaudited management account for the seven months ended 31 July 2015, our revenue for the seven months ended 31 July 2015 amounted to approximately RMB327.4 million, representing an increase of approximately 44.6% compared to the seven months ended 31 July 2014. The increase in revenue was mainly due to the increase in orders from our existing CMS customers on cosplay costumes and cosplay wigs during 2015. Our sales quantity and average unit selling price for the seven months ended 31 July 2015 also increased steadily compared to the seven months ended 31 July 2014. Our gross profit margin for the seven months ended 31 July 2015 was approximately 29.0%, which is higher than that of approximately 28.3% for the seven months ended 31 July 2014. Our net current assets increased from approximately RMB6.4 million as at 31 March 2015 to approximately RMB26.3 million as at 31 July 2015, which was primarily attributable to the net profit we generated during the four months ended 31 July 2015 and such net profit were retained and kept as cash and cash equivalents.

The financial information disclosed above is derived from the Company's unaudited consolidated interim financial information for the seven months ended 31 July 2015, which has been reviewed by our Reporting Accountants in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our business and financial position since 31 March 2015 (being the date to which the latest audited combined financial statements of us are prepared).

FINANCIAL INFORMATION

Our Directors confirm that since 31 March 2015, (being the date to which the latest audited combined financial statements of us are prepared) and up to the Latest Practicable Date, there had been no material adverse change in our business, financial condition and market condition in the industry in which we operate which could materially affect the information shown in our combined financial statements included in the Accountants' Report set forth in Appendix I to this prospectus.

DISCLOSURE REQUIRED UNDER CHAPTER 13 OF THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there was no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

PROPERTY INTERESTS AND PROPERTY VALUATION

Jones Lang LaSalle Corporate Appraisal and Advisory Limited, a property valuer, has valued our property interests as at 30 June 2015 and is of the opinion that the value of our property interests is an aggregate amount of approximately RMB223.6 million. The full text of the letter, summary of value and valuation certificates with regard to such property interests are set out in Appendix III to this prospectus.

The statement below shows the reconciliation of aggregate amounts of certain properties and prepaid land lease payments as reflected on the audited combined financial statements as at 31 March 2015 with the valuation of these properties and prepaid land lease payments as at 30 June 2015 as set out in Appendix III to this prospectus.

RMB million

Valuation of properties owned by our Group as at 30 June 2015 as set out in the property valuation report in Appendix III to this prospectus	<u>223.6</u>
Net book value of the following properties as at 31 March 2015 as set out in Appendix I to this prospectus:	
- Buildings	39.9
- Construction in progress	85.9
- Prepaid land lease payments	<u>13.5</u>
Net book value as of 31 March 2015	139.3
Addition of construction in progress	9.5
Depreciation and amortisation	<u>(0.4)</u>
Net book value as of 30 June 2015	<u>148.4</u>
Net valuation surplus	<u>75.2</u>

FINANCIAL INFORMATION

UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The following is an illustrative and unaudited pro forma statement of adjusted net tangible assets attributable to the owners of our Company, which has been prepared on the basis of the notes set out below. This unaudited pro forma statement of adjusted net tangible assets attributable to the owners of our Company has been prepared for illustrative purposes only and because of this hypothetical nature, it may not give a true picture of our financial position.

	Audited combined net tangible assets of the Group attributable to equity holders of the Company as of 31 March 2015	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to equity holders of the Company	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to equity holders of the Company per Share	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB</i>	<i>HK\$</i>
	<i>(Note 1)</i>	<i>(Note 3)</i>		<i>(Note 4)</i>	<i>(Note 6)</i>
<i>Based on the Offer</i>					
<i>Price of HK\$0.93</i>					
<i>per Share</i>	<u>140,552</u>	<u>121,879</u>	<u>262,431</u>	<u>0.35</u>	<u>0.42</u>
 <i>Based on the Offer</i>					
<i>Price of HK\$1.13</i>					
<i>per Share</i>	<u>140,552</u>	<u>151,293</u>	<u>291,845</u>	<u>0.39</u>	<u>0.47</u>

Notes:

- (1) The amount is calculated based on audited combined net assets of the Group attributable to equity holders of the Company as of 31 March 2015 amounting to approximately RMB140,552,000, extracted from the Accountants' Report of the Group set out in Appendix I of this prospectus.
- (2) The Group's buildings, construction in progress and prepaid land lease payments as of 30 June 2015 were revaluated by Jones Long LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer, and the relevant property valuation report is set out in Appendix III — Property Valuation. The net valuation surplus, representing the excess of market value of the buildings, construction in progress and prepaid land lease payments over their carrying value amounting to RMB75.2 millions, has not been included in the combined net tangible assets of the Group attributable to the equity holders of the Company as of 31 March 2015. The above adjustment does not take into account the above valuation surplus. Had the buildings, construction in progress and prepaid land lease payments been stated as such valuation, an additional depreciation of RMB978,000 per annum in respect of the revaluation surplus, before income taxes, would be charged against the combined statement of profit or loss and other comprehensive income.

FINANCIAL INFORMATION

- (3) The estimated net proceeds from the Global Offering are based on 187,500,000 Shares at the Offer Price of HK\$0.93 (equivalent to RMB0.77) and HK\$1.13 (equivalent to RMB0.94) per Share, being the low-end and high-end of the indicative range of the Offer Price, respectively, after deduction of the estimated underwriting fees and other related expenses expected to be incurred by the Group subsequent to 31 March 2015 and does not take into account of any Shares which may be issued upon the exercise of the Over-allotment Option.
- (4) The unaudited pro forma adjusted combined net tangible assets per Share is calculated based on 750,000,000 Shares, being the number of Shares expected to be in issue immediately following the completion of the Capitalisation Issue and the Global Offering without taking into account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option.
- (5) No adjustment has been made to the unaudited pro forma adjusted combined net tangible assets of the Group attributable to the equity holders of the Company as at 31 March 2015 to reflect any trading results or other transactions of the Group entered into subsequent to 31 March 2015.
- (6) In connection with the preparation of this unaudited pro forma statement of adjusted net tangible assets, the translation of Renminbi into Hong Kong dollars has been made at a rate of RMB0.83 to HK\$1.00.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Our Group is under the common control of Mr. Chen and Mr. Chen Sheng Guan throughout the Track Record Period and upon completion of the Reorganisation. As such, our Controlling Shareholders include Mr. Chen and Mr. Chen Sheng Guan (Mr. Chen's brother) and entities owned and controlled by them, including Master Professional and Summit Quest. The Controlling Shareholders will together hold approximately 63.75% of our Company's entire issued share capital immediately after the Capitalisation Issue and the Global Offering (without taking into account the Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme). For details regarding the shareholding interest of the Controlling Shareholders, please refer to the section headed "Substantial Shareholders" in this prospectus.

Our Controlling Shareholders have confirmed that none of them and their respective associates is interested in any business which competes or is likely to compete, directly or indirectly with the business of our Group.

Our Controlling Shareholder Mr. Chen is one of the executive Directors of our Company. For further details, please refer to the section headed "Directors and Senior Management — Directors — Executive Directors" in this prospectus. The other Controlling Shareholder, Mr. Chen Sheng Guan, is the director of Jiangxi Styler as at the Latest Practicable Date. However, due to his deteriorating health condition, he does not have any directorship or position in the senior management in our Company and will not actively participate in the management of our Group, save and except it is expected that he will continue to be one of the directors of Jiangxi Styler after Listing.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

The Directors consider that our Group is capable of carrying on its business independently from the Controlling Shareholders and their associates after Listing for the following reasons:

Management independence

Our management and operational decisions are made by our Board and senior management. Our Board comprises two executive Directors, one non-executive Director and three independent non-executive Directors. Although Mr. Chen (who is also the sole director of Master Professional) holds directorship in our Company, we consider that our Board and senior management will function independently from our Controlling Shareholders because:

- (i) each Director is aware of his/her fiduciary duties as a Director which require, among others, that he/she acts for the benefit and in the best interest of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interests;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (ii) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions, and shall not be counted in forming quorum. Our Group has also adopted certain corporate governance measures for conflict situation, details of which are set out in the paragraph headed “Corporate governance measures” in this section; and

- (iii) all our senior management members are independent from our Controlling Shareholders. They have substantial experience in the industry we are engaged in and have served our Group for a period of time during which they have demonstrated their capability of discharging their duties independently from our Controlling Shareholders.

Operational independence

Our organisational structure is made up of individual departments, each with specific areas of responsibilities. We have also established a set of internal controls to facilitate the effective operation of our business.

Based on the above, our Directors are satisfied that we have been operating independently from the Controlling Shareholders during the Track Record Period and will continue to operate independently.

Financial independence

We have an independent financial system and make financial decisions according to our own business needs. As at the Latest Practicable Date, we did not have any outstanding loans or borrowings from any of our Controlling Shareholders or any of their respective associates. Our Directors confirm that we will not rely on our Controlling Shareholders for financing after the Global Offering as we expect that our working capital will be funded by our operating income and bank borrowings.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

NON-COMPETITION DEED

In order to avoid any future competition between our Group and the Controlling Shareholders, the Controlling Shareholders has under the Non-competition Deed undertaken and covenanted with our Company (for itself and as trustee for its subsidiaries) that for so long as he/it and/or his/its associates, directly or indirectly, whether individually or taken together, remain a controlling shareholders of our Company:

- (i) he/it will not, and will procure his/its associates not to (other than through our Group or in respect of each covenantor (together with his/its associates), as a holder of not more than 5% of the issued shares or stock of any class or debentures of any company listed on any recognised stock exchange) directly or indirectly carry on, engage or otherwise be interested (in each case whether as shareholder, director, partner, agent, employee or otherwise and whether for profit, reward or otherwise) in any business which is or may be in competition with the business carried on by our Group from time to time (the “**Restricted Activity**”), except where our Company’s approval as mentioned in the paragraph below is obtained.

The Controlling Shareholders and their respective associates are entitled to engage or have an interest in any Restricted Activity if after offering the New Business Opportunities to our Company pursuant to (ii) below, our Company has confirmed in writing (the “**Approval Notice**”) that none of our Group members wishes to be engaged or interested in the relevant Restricted Activity and it has approved the relevant Controlling Shareholders and their respective associates to engage or have any interest in the Restricted Activity. Any Director who is interested in the relevant Restricted Activity shall not vote on relevant resolutions approving the Approval Notice;

- (ii) if the Controlling Shareholders and/or his/its associates decide to invest, be engaged, or participate in any Restricted Activity, whether directly or indirectly, in compliance with the Non-competition Deed, he/it will and/or will procure his/its associates (other than members of our Group) to disclose the terms of such investment, engagement or participation to our Company and the Directors as soon as practicable and use his/its best endeavors to procure that such investment, engagement or participation (the “**New Business Opportunities**”) is offered to our Company on terms no less favorable than the terms on which such investment, engagement or participation is offered to him/it and/or his/its associates. When New Business Opportunities are referred to the Company by the Controlling Shareholders, the independent non-executive Directors will consider such opportunity on various aspects including viability and profitability.
- (iii) he/it will not, and will procure his/its associates not to, directly or indirectly, solicit, interfere with or entice away from any member of our Group, any natural person, legal entity, enterprise or otherwise who, to any of our Controlling Shareholder’s knowledge,

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

as at the date of the Non-competition Deed, is or has been or will after the date of the Non-competition Deed be, a customer, supplier, distributor, sales or management, technical staff or an employee (of managerial grade or above) of any member of our Group; and

- (iv) he/it will not, and will procure his/its associates not to, exploit his/its knowledge or information obtained from our Group to compete, directly or indirectly, with the Restricted Activity.

The Non-competition Deed and the rights and obligations thereunder are conditional and will take effect immediately upon Listing.

The obligations of the Controlling Shareholders under the Non-competition Deed will remain in effect until:

- (a) the date on which the Shares cease to be listed on the Stock Exchange; or
- (b) the Controlling Shareholders and his/its associates, individually and/or collectively, cease to be deemed as a controlling shareholder of our Company (within the meaning defined in the Listing Rules from time to time); or
- (c) the Controlling Shareholders and his/its associates, individually and/or collectively beneficially own or are interested in the entire issued share capital of our Company,

whichever occurs first.

Nothing in the Non-competition Deed shall prevent the Controlling Shareholders or any of their associates from carrying on any business whatsoever other than the Restricted Activity.

CORPORATE GOVERNANCE MEASURES

The following corporate governance measures will be adopted to monitor the compliance of the Non-competition Deed:

- (i) our independent non-executive Directors shall review, at least on an annual basis, the compliance with the Non-competition Deed by the Controlling Shareholders and their respective associates on their existing or future competing businesses;
- (ii) the Controlling Shareholders shall promptly provide all information necessary for the annual review by our Company's independent non-executive Directors and the enforcement of the Non-competition Deed and provide to our Company a written confirmation relating to the compliance of the Non-competition Deed and make an annual declaration on compliance with the Non-competition Deed in the annual report of our Company;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (iii) our Company shall disclose decisions on matters reviewed by its independent non-executive Directors relating to the compliance and enforcement of the undertakings provided by the Controlling Shareholders either through the corporate governance report as set out in the annual report of our Company, and/or by way of announcements to the public;
- (iv) any New Business Opportunities under the Non-competition Deed and all other matters determined by the Board as having a potential conflict of interest with our Controlling Shareholders will be referred to the independent non-executive Directors for discussion and decision. When necessary, such independent non-executive Directors will engage an independent financial adviser to advise them on the relevant matters. In the event any New Business Opportunities presented by or otherwise arising in connection with any of our Controlling Shareholders are turned down by our Group according to the Non-competition Deed, our Company will disclose the decision, as well as the basis for such decision in the annual report or interim report of our Company. The annual report of our Company will include the views and decisions, with bases, of the independent non-executive Directors on whether to take up any New Business Opportunities under the Non-competition Deed or other matters having a potential conflict of interest with our Controlling Shareholders that have been referred to the independent non-executive Directors;
- (v) further, if a Controlling Shareholder or a Director has a conflict of interest in a matter to be considered, he/she/it shall act in accordance with the requirements of the Listing Rules, regarding voting on such matter; and
- (vi) the compliance adviser of our Company shall provide our Company with professional advice on compliance of continuing obligations under the Listing Rules in accordance with the provisions of the compliance adviser agreement and the requirements of the Listing Rules.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme), the following persons/entities will have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or are directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

Name of Shareholder	Capacity/ Nature of Interest	Number of Shares	Approximate percentage of shareholding interests of our Company
Master Professional ^(Note 1)	Beneficial owner	393,750,000	52.50%
Mr. Chen ^(Note 1)	Interest in controlled corporation	393,750,000	52.50%
Summit Quest ^(Note 2)	Beneficial owner	84,375,000	11.25%
Mr. Chen Sheng Guan ^(Note 2)	Interest in controlled corporation	84,375,000	11.25%

Notes:

1. Master Professional is 100% beneficially owned by Mr. Chen. Accordingly, Mr. Chen is deemed to be interested in the Shares held by Master Professional under the SFO.
2. Summit Quest is 100% beneficially owned by Mr. Chen Sheng Guan. Accordingly, Mr. Chen Sheng Guan is deemed to be interested in the Shares held by Summit Quest under the SFO.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS AND SENIOR MANAGEMENT

The following table sets forth certain information regarding our Directors and senior management:

Name	Age	Date of joining our Group	Date of appointment as Director/senior management	Position	Roles and responsibilities	Relationship with the other Directors/senior management
Mr. Chen Sheng Bi (陳聖弼)	43	10 March 2004	12 February 2015	Executive Director, chairman of the Board, chief executive officer and general manager of our Group	Formulating the corporate strategies and planning the business development of our Group	Brother-in-law of Ms. Chen
Mr. Lin Xin Fu (林新福)	33	23 June 2006	5 May 2015	Executive Director and vice general manager of Jiangxi Styler	Supervising sales activities and foreign trade	Not applicable
Ms. Chen Sheng (陳升)	42	1 March 2015	5 May 2015	Non-executive Director	Overseeing the corporate governance	Sister-in-law of Mr. Chen
Mr. Leung Siu Hong (梁兆康)	40	7 August 2015	7 August 2015	Independent non-executive Director	Providing independent advice to the Board	Not applicable
Mr. Chen Wen Hua (陳文華)	48	7 August 2015	7 August 2015	Independent non-executive Director	Providing independent advice to the Board	Not applicable
Ms. Peng Xu (彭淑)	43	7 August 2015	7 August 2015	Independent non-executive Director	Providing independent advice to the Board	Not applicable
Mr. Chong Man Hung Jeffrey (莊文鴻)	37	21 May 2015	21 May 2015	Chief financial officer and Company Secretary of the Group	Responsible for financial planning, management, internal control, investor relations and company secretarial matters	Not applicable
Mr. Xiong Tie Jun (熊鐵軍)	40	1 March 2010	1 March 2010	Vice general manager of Jiangxi Styler	Responsible for the management of the production of Jiangxi Styler	Not applicable

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Our Board consists of six Directors, comprising of two executive Directors, one non-executive Director and three independent non-executive Directors. For the residential addresses of each Director, please refer to the section headed “Directors and Parties Involved in the Global Offering” in this prospectus.

Each Director confirms that he or she does not have any competing business with our Group.

Executive Directors

Mr. Chen Sheng Bi (陳聖弼), aged 43, is the brother-in-law of Ms. Chen Sheng and brother of Mr. Chen Sheng Guan. He is one of the co-founders, a Controlling Shareholder, an executive Director, chairman of the Board and general manager of our Group. He co-founded our Group with Mr. Chen Sheng Guan in March 2004 and is responsible for formulating the corporate strategies and planning the business development of our Group. He obtained a Bachelor degree of International Economic Laws from East China College of Politics and Law* (華東政法學院) (the predecessor institution of East China University of Political Science and Law* (華東政法大學)) in July 1994. Mr. Chen became an assistant international business engineer* (助理國際商務師) as approved by the Fujian Provincial External Economic Trading Commission* (福建省對外經濟貿易委員會) in December 1999. He completed a Master degree programme of Statistics from Xiamen University Graduate School* (廈門大學研究生院) in September 2002.

Mr. Chen has over 20 years of experience in the development, manufacturing and sales of party-related products. From August 1994 to October 2003, he worked as a salesperson in Fujian Provincial Light Industrial Products Import & Export (Group) Corporation* (福建省輕工業品進出口集團公司). Mr. Chen first started his business in wigs manufacturing when Yiwu Styler was established in March 2004. Under the leadership of Mr. Chen, our Group’s product portfolio expanded from cosplay wigs to cosplay products (including cosplay costumes and cosplay wigs) and non-cosplay apparels including mainly sexy lingerie. He is the president and the general manager of Jiangxi Styler, Yiwu Styler and Yiwu Partytime.

Our company’s corporate governance practices are based on principles and code provisions as set out in the Corporate Governance Code (“CG Code”) in Appendix 14 to the Listing Rules. Except for the deviation from CG Code provision A.2.1, our Company’s corporate governance practices have complied with the CG Code.

CG Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Chen is the chairman and the chief executive officer of our Group. In view of Mr. Chen is the founder of our Group and has been operating and managing our Group since 2004, our Board believes that it is in the best interest of our Group to have Mr. Chen taking up both roles for effective management and business development. Therefore our Directors consider that the deviation from the CG Code provision A.2.1 is appropriate in such circumstance.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Lin Xin Fu (林新福), aged 33, is an executive Director of our Group. He joined our Group on 23 June 2006 as a salesperson of Yiwu Styler. Mr. Lin became a business manager of Jiangxi Styler in June 2008. He has been the vice general manager of Jiangxi Styler since May 2015 and is responsible for the sales activities and foreign trade of our Group. Mr. Lin obtained a Bachelor degree of Tourism Management from the Fujian Normal University* (福建師範大學) in July 2006. He completed a programme in advanced executive business administration in the Zhejiang University* (浙江大學) in May 2014.

Mr. Lin has over eight years of experience in manufacturing and sales of animation derivatives. He has extensive experience in the sales and trading of cosplay wigs, cosplay costumes, sexy lingerie and party-related accessories. Mr. Lin is familiar with the trends of the animation derivative industry as he regularly represents our Group to attend both local and international exhibitions and meetings including but not limited to the China Import and Export Fair* (中國進出口商品交易會), the East China Fair* (中國華東進出口商品交議會), the China Sourcing Fair* (環球資源展覽), the South Africa Johannesburg Fair* (南非約翰尼斯堡展覽) and the Brazil Sao Paulo Fair* (巴西聖保羅展覽).

Non-executive Director

Ms. Chen Sheng (陳升), aged 42, is the sister-in-law of Mr. Chen. She joined our Group as a non-executive Director on 5 May 2015. She is responsible for overseeing the corporate governance of our Group. She obtained a Bachelor degree of Accountancy from The Open University of China* (中央廣播電視大學) in May 2004. She obtained an Administrative Enforcement of Law Certificate* (行政執法資格) awarded by the Fujian Provincial People's Government* (福建省人民政府) in July 1999.

Ms. Chen has over 23 years of compliance experience. Prior to joining our Group, she served at the Fuzhou City Local Tax Authority* (福州市地方稅務局) from August 1991 to September 2013 and her last position was an officer at the Enforcement Section of the Inspection Bureau of Fuzhou City Tax Authority* (福州市地方稅務局稽查局執行科) where she gained the experience of compliance and tax matters. Since then to February 2015, Ms. Chen has been working as the chief financial officer at Fuzhou Gute Construction Engineering Co., Ltd* (福州固特建築工程有限公司) where she gained the experience of small-medium enterprise and can advise on governance matters.

Independent Non-executive Directors

Mr. Leung Siu Hong (梁兆康), aged 40, is an independent non-executive Director of our Group. He obtained a designated degree of Master of Arts in Accountancy (equivalent to a bachelor degree) from the University of Aberdeen in October 1997. He also obtained a Master degree of Corporate Governance from the Hong Kong Polytechnic University in October 2011 and Master degree of Science in Financial Analysis from the Hong Kong University of Science and Technology in June 2014. Mr. Leung has been a member of the Association of Chartered Certified Accountants since May 2002. He has been admitted as a fellow of the same association

DIRECTORS AND SENIOR MANAGEMENT

since May 2007. Mr. Leung has also been a fellow of the Hong Kong Institute of Certified Public Accountants since February 2010. He became a fellow of both the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators since July 2013.

Mr. Leung has over 17 years of experience in accounting. From November 1997 to June 1998, he worked as a staff accountant I in Deloitte Touche Tohmatsu. From February 1999 to September 2000, he worked for Dennis Wong & Company and his last position was a staff accountant III. From December 2000 to June 2002, he worked for PricewaterhouseCoopers Ltd. and his last position was a senior associate. From June 2002 to July 2004, Mr. Leung worked as an associate director of BMI Consultants Limited, at the time a subsidiary company of BM Intelligence International Limited (stock code: 8158) which was later renamed as China Regenerative Medicine International Limited. From September 2004 to January 2006, he worked as the chief accountant in the Trust-Mart Group Limited (好又多集團有限公司). From March 2006 to January 2008, Mr. Leung worked as a qualified accountant, financial controller and company secretary for Ta Yang Group Holdings Limited (大洋集團控股有限公司) (Stock Code: 1991). Mr. Leung has been the financial controller and company secretary of China Starch Holdings Limited (中國澱粉控股有限公司) (Stock Code: 3838) since February 2008.

Mr. Chen Wen Hua (陳文華), aged 48, is an independent non-executive Director of our Group. Mr. Chen Wen Hua obtained a Bachelor degree in Chinese Language from Jiangxi Normal University* (江西師範大學) in July 1988. He obtained a Master degree in Chinese Language from Jiangxi Normal University* (江西師範大學) in July 1991. He obtained a Doctoral degree in Economics from Jiangxi University of Finance and Economics* (江西財經大學工商學院) in June 2006.

Mr. Chen Wen Hua has been a member of the Eleventh National Committee of the Chinese People's Political Consultative Conference of Jiangxi Province* (中國人民政治協商會議江西省第十一屆委員會) in January 2013.

Mr. Chen Wen Hua has over 23 years of experience in education industry. From July 1991 to August 2003, he worked as a research assistant of the Literature and Culture Research Centre of Jiangxi* (江西省文學藝術研究所). Mr. Chen Wen Hua has been the vice chairperson of Jiangxi Normal University* (江西師範大學) and Jiangxi Province Higher Education Institution Entrepreneurship and Guidance Centre* (江西省高等院校創業教育研究與指導中心) since August 2003.

Ms. Peng Xu (彭淑), aged 43, is an independent non-executive Director of our Group. Ms. Peng obtained a bachelor degree of laws in economic law from Heilongjiang University* (黑龍江大學) in July 1995. She completed a master degree programme in international economic law at Jinlin University* (吉林大學) in December 1997. She obtained a master degree of laws in law in development from the University of Warwick in January 2003. She obtained a doctoral degree in international law from the East China University of Political Science and Law* (華東政法大學) in January 2007. Ms. Peng was qualified as a lawyer in the PRC in May 1999.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Peng has over 16 years of experience in the legal industry. Since July 1998, she has worked at the East China University of Political Science and Law* (華東政法大學) and her current position is an associate professor of the International Law Faculty (國際法學院). From March 2003 to March 2004, she worked as a town mayor assistant of Yangxing Town* (楊行鎮) for the Shanghai Baoshan District Government* (上海寶山區政府).

Other disclosure pursuant to Rule 13.51(2) of the Listing Rules

Save as disclosed above, each Director does not have any relationship with other Director, senior management, substantial shareholder or controlling shareholder of our Company.

Save as disclosed above, each of our Directors has confirmed that he/she has not held any other directorships in listed companies during the three years immediately prior to the date of this prospectus and that there are no other matters concerning our Directors' appointment that need to be brought to the attention of our Shareholders and the Stock Exchange or shall be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

SENIOR MANAGEMENT

Mr. Chong Man Hung Jeffrey (莊文鴻), aged 37, joined our group as the chief financial officer and Company Secretary on 21 May 2015. He is responsible for the financial planning, management, internal control, investor relations and company secretarial matters of our Group. Mr. Chong obtained his Bachelor degree of Business Administration in Accounting from the Hong Kong University of Science and Technology in November 2000 and has been a member of the Hong Kong Institute of Certified Public Accountants since January 2005.

Mr. Chong has over 14 years of experience in audit and finance. Prior to joining our Group, Mr. Chong worked as an intermediate at Sonia Yau & Co. from June 2000 to February 2002. He worked at KLL Associates CPA Limited from March 2002 to August 2005 and his last position was an audit senior I. He worked as a senior associate 3 (audit) at BDO McCABE LO LIMITED from August 2005 to January 2006. Mr. Chong worked at Deloitte Touche Tohmatsu from January 2006 to December 2009 and his last position was a manager. He worked at SHINewing (HK) CPA Limited from December 2009 to October 2014 and his last position was a senior audit manager. He worked as the group analytics officer at Promise Network Printing Limited, a subsidiary of eprint Group Limited (stock code: 1884) from October 2014 to March 2015. He has been the chief financial officer and Company Secretary of our Group since May 2015.

Mr. Xiong Tie Jun (熊鐵軍), aged 40, joined our Group on 1 March 2010 as a vice general manager of Jiangxi Styler. In June 2008, Mr. Xiong obtained a Master degree of Business Administration from the Guangdong Sun Yat-sen University* (廣東中山大學). In December 2002, he was qualified as a thermal power engineer* (熱能動力工程師) by the Human Resources Department of Hubei Province* (湖北省人事廳).

DIRECTORS AND SENIOR MANAGEMENT

Prior to joining our Group, he worked as an assistant human resources manager at Bai Xing China Guangdong Food and Beverage Group* (百姓中國廣東餐飲集團) from August 2000 to July 2004. From July 2004 to October 2009, he worked as the training manager (培訓總監) at the human resources department of Foxconn Technology Innolux Display Group Company Limited* (富士康科技群創光電股份有限公司). Since then to March 2010, he worked as the head of production department of Guangdong Chuan Jing Industrial Group Company Limited* (廣東傳經實業集團有限公司). He has been the vice general manager of Jiangxi Styler since March 2010. He is responsible for overseeing the production of Jiangxi Styler.

Save as disclosed above, none of our senior management had any directorships in any publicly listed company over the past three years and none of the senior management has any relationship with the other senior management, the Directors, substantial shareholders or controlling shareholders of our Company.

COMPANY SECRETARY

Mr. Chong Man Hung Jeffrey (莊文鴻), aged 37, is the Company Secretary of our Group. His details of the qualification and experience are set out in paragraph headed “Senior Management” above in this section.

CORPORATE GOVERNANCE

We have put in place our corporate governance structure with a view to safeguarding the interests of our Shareholders. Our Board, which includes three independent non-executive Directors out of a total of six Directors, is responsible for setting strategic, management and financial objectives and ensuring that the interests of our Shareholders, including those of minority Shareholders are protected. To this end, our Board has established an audit committee, a remuneration committee and a nomination committee.

AUDIT COMMITTEE

An audit committee was established by our Board on 7 August 2015 with written terms of reference in compliance with Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The members of the audit committee are Mr. Leung Siu Hong, Mr. Chen Wen Hua and Ms. Peng Xu, all being independent non-executive Directors. Mr. Leung Siu Hong is the chairman of the audit committee. The primary duties of the audit committee are, among other things, to make recommendations to the Board on the appointment and removal of the external auditor, to review the financial statements and related materials and provide advice in respect of the financial reporting process, and to oversee the internal control procedures of our Group.

REMUNERATION COMMITTEE

A remuneration committee was established by our Board on 7 August 2015 with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The members of the remuneration committee are Mr. Chen Wen

DIRECTORS AND SENIOR MANAGEMENT

Hua, Ms. Peng Xu and Mr. Lin. Mr. Chen Wen Hua is the chairman of the remuneration committee. The primary duties of the remuneration committee are mainly to make recommendations to the Board on the overall remuneration policy and structure relating to the Directors and senior management of our Group, to review and evaluate their performance in order to make recommendations on the remuneration package of each of the Directors and senior management personnel as well as other employee benefit arrangements.

NOMINATION COMMITTEE

A nomination committee was established by our Board on 7 August 2015 with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The members of nomination committee are Ms. Peng Xu, Mr. Chen Wen Hua and Ms. Chen Sheng. Ms. Peng Xu is the chairman of the nomination committee. The nomination committee is mainly responsible for making recommendations to the Board on the appointment of Directors and the handling of the Board succession.

MANAGEMENT PRESENCE

According to Rule 8.12 of the Listing Rules, we must have sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. Currently, all of our executive Directors ordinarily reside in the PRC. Since our main business operations are in the PRC, we do not and, for the foreseeable future, will not have sufficient management presence in Hong Kong.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with the requirements of Rule 8.12 of the Listing Rules, subject to the conditions that, among other things, we maintain the following arrangements to maintain effective communication between us and the Stock Exchange:

- (i) we have appointed two authorised representatives pursuant to Rules 2.11 and 3.05 of the Listing Rules, who will act as our Group's principal channel of communication with the Stock Exchange. The authorised representatives are Mr. Chen and Mr. Chong Man Hung Jeffrey. Mr. Chen is an executive Director and Mr. Chong Man Hung Jeffrey is our Company Secretary and chief financial officer. Each of the authorised representatives will be able to meet with the Stock Exchange within a reasonable period upon request, if required. Our authorised representatives will be readily contactable by telephone, facsimile and email, and is authorised to communicate on behalf of our Company with the Stock Exchange;
- (ii) the authorised representatives have means of contacting our Directors promptly at all times and as and when the Stock Exchange wishes to contact our Directors on any matters. To enhance communication among the Stock Exchange, the authorised representatives, our Directors and our Company, we have implemented a policy whereby: (i) each Director is to provide his/her office phone number, facsimile number and email address to the authorised representatives and the Stock Exchange; and (ii)

DIRECTORS AND SENIOR MANAGEMENT

in the event that a Director expects to travel or be out of the office, he/she is to provide the phone number of the place of his accommodation to the authorised representatives. Further, for convenience of communication, each Director has provided his/her means of contact to the Stock Exchange;

- (iii) we have, in accordance with Rule 3A.19 of the Listing Rules, appointed China Investment Securities International Capital Limited as our compliance adviser, who will, among other things, act as an additional channel of communication with the Stock Exchange; and
- (iv) all of our Directors who are not ordinarily resident in Hong Kong have confirmed that they possess valid travel documents to visit Hong Kong and will be able to meet with the Stock Exchange in Hong Kong, within a reasonable period, upon the request of the Stock Exchange.

DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

Remuneration packages of our Directors and senior management are generally structured with reference to market terms and individual merits. Salaries are normally reviewed and discretionary bonuses are paid on annual basis based on our results, individual performance and other relevant factors.

The aggregate emoluments and benefits paid by us to our Directors and senior management during each of the three years ended 31 December 2014 and for the three months ended 31 March 2015 were approximately RMB1.2 million, RMB1.2 million, RMB1.1 million and RMB0.2 million respectively.

The aggregate amount of remuneration (including fees, salaries, allowances and benefits in kind and contributions to pension scheme) which were paid by us to our five highest paid individuals, including our Directors, for each of the three years ended 31 December 2014 and for the three months ended 31 March 2015 were approximately RMB1.9 million, RMB1.9 million, RMB1.7 million and RMB0.4 million respectively.

Save as disclosed above, no other payments have been paid or are payable in respect of the Track Record Period by us or any of our subsidiaries to our Directors and senior management.

Going forward, our remuneration committee will review and determine the remuneration and compensation of our Directors and senior management with reference to salaries paid by comparable companies, time commitment and responsibilities of our Directors and senior management and performance of our Group.

DIRECTORS AND SENIOR MANAGEMENT

SHARE OPTION SCHEME

The purpose of the Share Option Scheme is to provide us with a flexible means of retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to participants and potential participants comprising of, among others, employees, directors of any member of our Group. For further details, please see the paragraph headed “Share Option Scheme” in Appendix V headed “Statutory and General Information” to this prospectus.

EMPLOYEES

As at the Latest Practicable Date, we had 1,875 full-time employees who are located in the PRC. For each of three years ended 31 December 2014 and for the three months ended 31 March 2015, our total staff costs including directors’ remuneration were approximately RMB59.8 million, RMB70.2 million, RMB79.0 million and RMB18.0 million respectively. For a breakdown of our employees by function as at the Latest Practicable Date, please refer to the paragraph headed “Business — Employees” in this prospectus. The relationship and cooperation between our management and employees has been good and is expected to remain amicable in the future.

Our employees may be entitled to participate in the Share Option Scheme, details of which are set out in the section headed “Share Option Scheme” in Appendix V headed “Statutory and General Information” to this prospectus.

COMPLIANCE ADVISER

We have appointed China Investment Securities International Capital Limited as our compliance adviser upon Listing in compliance with Rule 3A.19 of the Listing Rules.

An agreement has been entered into with the compliance adviser, the material terms of which we expect to be as follows:

- (i) the term of appointment of the compliance adviser will commence on the date of Listing of our Shares on the Stock Exchange and ending on the date on which we comply with Rule 13.46 of the Listing Rules in respect of publication of our financial results for the first full financial year after the Listing Date, unless terminated earlier in accordance with the terms of the compliance adviser agreement;
- (ii) the compliance adviser shall provide us with such advisory services as are required to be provided by a compliance adviser pursuant to Chapter 3A of the Listing Rules and advise us in the following circumstances:
 - (a) before the publication of any regulatory announcement, circular or financial report;

DIRECTORS AND SENIOR MANAGEMENT

- (b) where a proposed transaction, which might be a notifiable, connected transaction or continuing connected transaction, is contemplated, including but not limited to share issues and share repurchases;
 - (c) where our Company proposes to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where its business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and
 - (d) where the Stock Exchange makes an inquiry with us pursuant to Rule 13.10 of the Listing Rules (regarding unusual movements in the price or trading volume of the shares of our Company).
- (iii) when the compliance adviser is consulted by our Company in the circumstances set out in Rule 3A.23, it must discharge the responsibilities in accordance with Rule 3A.24 of the Listing Rules with due care and skill;
- (iv) the compliance adviser will act as our additional channel of communication with the Stock Exchange where our authorised representatives are expected to be frequently out of Hong Kong;
- (v) the appointment of the compliance adviser may be terminated if the compliance adviser's work is of an unacceptable standard or if there is a material dispute (which cannot be resolved within 30 days) over fees payable to the compliance adviser or upon the request of the Stock Exchange where, under any circumstances, our Company should have appointed a new compliance adviser before the termination takes place. The compliance adviser will have the right to terminate its appointment by giving not less than 14 days' notice to us.

SHARE CAPITAL

SHARE CAPITAL

The following table is prepared on the basis that the Capitalisation Issue and the Global Offering have become unconditional. This table, however, takes no account of any Shares which may be allotted and issued by our Company pursuant to the exercise of the Over-allotment Option, any options which may be granted under the Share Option Scheme and of any Shares which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of Shares granted to the Directors as referred to below.

Authorised share capital:

1,560,000,000	Shares of HK\$0.01 each	HK\$15,600,000
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Shares in issue or to be issued, fully paid or credited as fully paid:

78,000	Shares in issue	HK\$780
562,422,000	Shares to be issued under the Capitalisation Issue ^(Note)	HK\$5,624,220
<u>187,500,000</u>	Shares to be issued under the Global Offering ^(Note)	<u>HK\$1,875,000</u>
<u>750,000,000</u>	Shares	<u>HK\$ 7,500,000</u>

Assuming the Over-allotment Option is exercised in full, the issued share capital of the Company immediately after completion of the Capitalisation Issue and the Global Offering will be HK\$7,781,250 divided into 778,125,000 Shares.

Note: Pursuant to the written resolutions of the Shareholders passed on 7 August 2015, conditional upon the share premium account of our Company being credited as a result of the Global Offering, the Directors were authorised to capitalise the amount of HK\$5,624,220 from the amount standing to the credit of the share premium account of our Company and to apply such amount to pay up in full at par 393,695,400 Shares, 84,363,300 Shares, 28,121,100 Shares, 28,121,100 Shares, and 28,121,100 Shares for allotment and issue to Master Professional, Summit Quest, Master Venture, Venture Master and Richest Place respectively. If the Over-allotment Option is exercised in full, 28,125,000 additional Shares will be issued, and the total number of Offer Shares will be 215,625,000 Shares.

MINIMUM PUBLIC FLOAT

The minimum level of public float to be maintained by our Company at all times after Listing under the Listing Rules is 25% of its share capital in issue from time to time.

SHARE CAPITAL

RANKING

The Offer Shares will rank *pari passu* in all respects with all Shares in issue or to be issued as mentioned herein, and will qualify for all dividends or other distributions declared, made or paid after the date of this prospectus, save for entitlements under the Capitalisation Issue.

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme. Details of the principal terms are summarised in the section headed “D. Share Option Scheme” in Appendix V headed “Statutory and General Information” to this prospectus.

GENERAL MANDATE

Our Directors have been granted a general unconditional mandate to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights issue or an issue of Shares upon exercise of any subscription rights attached to any warrants or convertible securities or pursuant to the exercise of any options which might be granted under the Share Option Scheme or any other option scheme(s) or other similar arrangements or under the Global Offering or any scrip dividends in accordance with the Articles or a specific authority granted by the Shareholders, Shares or securities or options convertible into Shares and to make and grant offers and agreements which would or might require Shares to be allotted with an aggregate nominal value not exceeding the sum of:

- 20% of the aggregate nominal value of our share capital in issue as enlarged by the Capitalisation Issue and the Global Offering (excluding Shares which may be issued under the Over-allotment Option or pursuant to the exercise of any options which may be granted under the Share Option Scheme); and
- the aggregate nominal amount of Shares repurchased under the authority granted by us to our Directors pursuant to the Repurchase Mandate referred to below (if any).

This general mandate will remain in effect until:

- the conclusion of our next annual general meeting;
- the expiration of the period within which our next annual general meeting is required by the memorandum of association and the Articles or any applicable law to be held; or
- the revocation or variation by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

SHARE CAPITAL

For further details of this general mandate, please refer to the section headed “A. Further Information about our Company — 3. Written resolutions of the Shareholders” in Appendix V headed “Statutory and General Information” to this prospectus.

REPURCHASE MANDATE

Our Directors have been granted a general unconditional mandate to exercise all our powers to repurchase on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal amount of our share capital in issue immediately following completion of the Capitalisation Issue and the Global Offering (without taking into account the Shares which may be allotted and issued under the Over-allotment Option or pursuant to the exercise of any options that may be granted under the Share Option Scheme).

The general mandate to repurchase Shares will remain in effect until:

- the conclusion of our next annual general meeting;
- the expiration of the period within which our next annual general meeting is required by the memorandum of association and the Articles or any applicable law to be held; or
- the revocation or variation by an ordinary resolution of our Shareholders in general meeting.

whichever is the earliest.

For further details of this Repurchase Mandate, please refer to the section headed “A. Further Information about our Company — 3. Written resolutions of the Shareholders” in Appendix V headed “Statutory and General Information” to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

The circumstances under which general meeting and class meeting are required are provided in the Articles of Association. For details, please refer to the Appendix IV headed “Summary of the Constitution of our Company and Cayman Islands Company Law” to this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS AND USE OF PROCEEDS

See the section headed “Business — Business strategies” of this prospectus for a detailed description of our future plans.

USE OF PROCEEDS

The aggregate net proceeds from the Global Offering (after deducting underwriting fees and estimated expenses in connection with the Global Offering and assuming an Offer Price of HK\$1.03 per Share, being the mid-point of the indicative Offer Price range of HK\$0.93 to HK\$1.13 per Share, and assuming the Over-allotment Option is not exercised) will be approximately HK\$162.9 million. Our Directors intend to apply the net proceeds from the Global Offering as follows:

- approximately HK\$65.1 million, representing approximately 40% of the net proceeds from the Global Offering will be utilised for increasing our production capacity by constructing two new factory buildings at our Yichun Production Plant;
- approximately HK\$32.6 million, representing approximately 20% of the net proceeds from the Global Offering, will be utilized for setting up a research and development centre at our Yiwu Production Plant;
- approximately HK\$48.9 million, representing approximately 30% of the net proceeds from the Global Offering, will be utilised to setting up an e-commerce operation centre and a service and experience centre at our Yiwu Production Plant; and
- the remaining balance of approximately HK\$16.3 million, representing approximately 10% of the net proceeds from the Global Offering, will be used for additional working capital and other general corporate purposes.

If the Offer Price is fixed at the high-end of the indicative Offer Price range, being HK\$1.13 per Share, the net proceeds we receive from the Global Offering will increase by approximately HK\$17.7 million. We intend to apply the additional net proceeds for the above purposes on a pro-rata basis. If the Offer Price is set at the low-end of the indicative Offer Price range, being HK\$0.93 per Share, the net proceeds we receive from the Global Offering will decrease by approximately HK\$17.7 million. We intend to reduce the net proceeds for the above purposes on a pro-rata basis.

If the Over-allotment Option is exercised in full, we estimate that the additional net proceeds from the offering of these additional Shares to be received by us, after deducting underwriting fees and estimated expenses payable by us, will be approximately (i) HK\$30.0 million, assuming the Offer Price is fixed at the high-end of the indicative Offer Price range, being HK\$1.13 per Share; (ii) HK\$27.4 million, assuming the Offer Price is fixed at the mid-point of the indicative Offer Price range, being HK\$1.03 per Share; and (iii) HK\$24.7

FUTURE PLANS AND USE OF PROCEEDS

million, assuming the Offer Price is fixed at the low-end of the indicative Offer Price range, being HK\$0.93 per Share. Any additional proceeds received by us from the exercise of the Over-allotment Option will also be allocated to the above businesses and projects on a pro-rata basis.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable laws and regulations, we intend to deposit the net proceeds into short-term demand deposits with authorised financial institutions and/or licensed banks in Hong Kong.

UNDERWRITING

HONG KONG UNDERWRITERS

Joint Lead Managers

China Investment Securities International Brokerage Limited
Ping An of China Securities (Hong Kong) Company Limited
Orient Securities (Hong Kong) Limited
Quam Securities Company Limited
Convoy Investment Services Limited
Grand China Securities Limited

Co-Lead Managers

President Securities (Hong Kong) Limited
Gransing Securities Co., Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

The Hong Kong Public Offering

Hong Kong Underwriting agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company has agreed to offer the Hong Kong Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms. Subject to, among other conditions, the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus by the Listing Committee and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have severally and not jointly agreed to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to the International Placing Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

UNDERWRITING

Grounds for termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares are subject to termination if certain events, including force majeure, shall occur at any time at or before 8:00 a.m. (Hong Kong time) on the Listing Date. The Sole Global Coordinator (on behalf of the Hong Kong Underwriters) has the right, in its sole and absolute discretion, to terminate the obligations of Hong Kong Underwriters under the Hong Kong Underwriting Agreement by giving notice in writing to our Company, if it sees fit upon the occurrence of any of the following events:

- (a) there has come to the notice of the Sole Global Coordinator:
 - (i) any breach of any of the warranties, obligations or undertakings imposed upon any party (other than the Sole Global Coordinator or any of the Underwriters) to any of the Underwriting Agreements; or
 - (ii) any statement contained in this prospectus, the Application Forms, any supplemental offering materials, announcement, the formal notice to be published in connection with the Hong Kong Public Offering, the roadshow materials and any other documents published or issued by or on behalf of our Company, or the International Placing Underwriters for the purposes of or in connection with the Global Offering (“Offer Documents”) considered by the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) in its sole and absolute opinion to be material in the context of the Global Offering, was or has become or been discovered to be untrue, incorrect or misleading in any respect, or that any forecast, expression of opinion, intention or expectation expressed in any Offer Documents is not, in the sole and absolute opinion of the Sole Global Coordinator, fair and honest and based on reasonable assumptions, when taken as a whole; or
 - (iii) any person (other than the Hong Kong Underwriters) has withdrawn or sought to withdraw its consent to being named in any of the Offer Documents or to the issue of any of the Offer Documents; or
 - (iv) our Company withdraws any of the Offer Documents (or any document, other documents used in connection with the contemplated subscription and sale of Offer Shares) or the Global Offering; or
 - (v) any event, act or omission which gives or is likely to give rise to any liability of the warranties under the Hong Kong Underwriting Agreement pursuant to the indemnity provisions of the Hong Kong Underwriting Agreement; or
 - (vi) any change or development involving a prospective change in the business, assets, liabilities, conditions, business affairs, prospects, profits, losses or the financial

UNDERWRITING

or trading position or performance or management of our Group considered by the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters) in its sole and absolute opinion to be material in the context of the Global Offering; or

- (vii) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission therefrom considered by the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) in its sole and absolute opinion to be material in the context of the Global Offering; or
 - (viii) approval by the Listing Committee of the listing of, and permission to deal in, our Shares (including any additional Shares that may be issued upon the exercise of the Over-allotment Option) is refused or not granted (other than subject to customary conditions) or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
 - (ix) a petition or an order is presented for the winding-up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed to take over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group; or
 - (x) a material portion of the orders in the bookbuilding process at the time the International Placing Underwriting Agreement is entered into, or the investment commitments by any cornerstone investors after signing of agreements with such cornerstone investors, have been withdrawn, terminated or cancelled; or
- (b) there shall develop, occur, exist or come into effect:
- (i) any change or development involving a prospective change, or any event or series of events likely to result in any change or development involving a prospective change, in local, national, regional, international, financial, political, economic, legal, military, industrial, fiscal, regulatory, currency, or market conditions (including, without limitation, any moratorium, suspension or restriction on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the London Stock Exchange, the American Stock Exchange, the Nasdaq National Market, the Shanghai Stock Exchange, the Shenzhen Stock Exchange or a material fluctuation in the exchange rate of the Hong Kong dollar or the Renminbi against any foreign currency, or any interruption in monetary or trading or securities settlement or clearance services or procedures or matters) in or affecting Hong Kong or anywhere in the world; or

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- (ii) any new law or regulation or any change or development involving a prospective change in any existing law or regulation, or any change in the interpretation or application thereof by any court or other competent authority in or affecting any of Hong Kong, the PRC, the United States, the Cayman Islands, the BVI, the European Union (or any member thereof) or any other jurisdictions relevant to any member of our Group or the Global Offering (the “Relevant Jurisdictions”); or
- (iii) any event, or series of events, beyond the reasonable control of the Underwriters (including, without limitation, acts of government or orders of any courts, strikes, calamity, crisis, lock-outs, fire, explosion, flooding, civil commotion, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God, acts of terrorism, declaration of a national or international emergency, riot, public disorder, economic sanctions, outbreaks of diseases, pandemics or epidemics (including, without limitation, Severe Acute Respiratory Syndrome, avian influenza A (H5N1), Swine Flu (H1N1) or such related or mutated forms) or interruption or delay in transportation) in or affecting any of the Relevant Jurisdictions; or
- (iv) (A) any suspension or limitation on trading in shares or securities generally on the Stock Exchange, the New York Stock Exchange, the American Stock Exchange, the Nasdaq National Market, the Shanghai Stock Exchange or the Shenzhen Stock Exchange or (B) any general moratorium on commercial banking activities in any of the Relevant Jurisdictions or any other relevant jurisdiction, declared by the relevant authorities, or a disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services, in the case of either (A) or (B), in or affecting any of the Relevant Jurisdictions; or
- (v) the imposition of economic sanctions, in whatever form, directly or indirectly, by or for the United States or the European Union (or any member thereof) on Hong Kong, the PRC, the Cayman Islands, the BVI, the European Union (or any member thereof) or any of the Relevant Jurisdictions; or
- (vi) a change or development occurs involving a prospective change in taxation or exchange control (or the implementation of any exchange control), currency exchange rates or foreign investment laws in any of the Relevant Jurisdictions or affecting an investment in our Shares; or
- (vii) any change or development involving a prospective change, or a materialisation of, any of the risks set out in the section headed “Risk Factors” in this prospectus; or
- (viii) the chairman or chief executive officer of our Company vacating his office; or

UNDERWRITING

- (ix) the commencement by any governmental, regulatory or political body or organisation of any action against a Director in his or her capacity as such or an announcement by any governmental, regulatory or political body or organisation that it intends to take any such action; or
- (x) a prohibition on our Company for whatever reason from allotting or selling the Offer Shares pursuant to the terms of the Global Offering; or
- (xi) non-compliance with this prospectus (and/or any other documents used in connection with the subscription and purchase of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other laws applicable to the Global Offering; or
- (xii) a valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or
- (xiii) an event where, as a result of market conditions or otherwise, a material portion of the orders in the bookbuilding process at the time the International Placing Underwriting Agreement is entered into, has been withdrawn or cancelled and the Sole Global Coordinator, in its absolute discretion, conclude that it is therefore inadvisable or inexpedient or impracticable to proceed with the Global Offering; or
- (xiv) any litigation or claim being threatened or instigated against any member of our Group; or
- (xv) any of our Directors, any senior management members of our Company as set out in the “Directors and Senior Management” section in this prospectus being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company or the commencement by any governmental, political or regulatory body of any action against any of the said Directors and senior management members in his or her capacity as such or an announcement by any governmental, political or regulatory body that it intends to take any such action; or
- (xvi) any contravention by any Controlling Shareholders as warrantor, any member of Our Group or any Director of the Companies (Winding up and Miscellaneous Provisions) Ordinance, the SFO or any of the Listing Rules; or
- (xvii) the issue or requirement to issue by our Company of a supplement or amendment to this prospectus and/or any other documents pursuant to the Companies (Winding up and Miscellaneous Provisions) Ordinance or the Listing Rules,

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which in each case or in aggregate in the sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters):

- (1) is or will or could be expected to have a material adverse effect on the general affairs, management, business, financial, trading or other condition or prospects or risks of our Company or our Group or any member of our Group or on any present or prospective shareholder in his, her or its capacity as such; or
- (2) has or will have or could be expected to have a material adverse effect on the success, marketability or pricing of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Placing; or
- (3) makes it or may make it impracticable, inadvisable or inexpedient to proceed with or to market the Hong Kong Public Offering and/or the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus, the Application Forms or the formal notice or shall otherwise result in an interruption to or delay thereof; or
- (4) has or will have the effect of making any part of the Underwriting Agreements incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof.

Undertakings to the Stock Exchange under the Listing Rules

Undertakings by us

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that, except pursuant to the Capitalisation Issue, the Global Offering, the Over-allotment Option and the Share Option Scheme as described and contained in this prospectus, no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except for the circumstances as permitted by Rule 10.08(1) to (5) of the Listing Rules.

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Undertakings by our Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and our Company respectively that, except pursuant to the Stock Borrowing Agreement, the Global Offering and the Over-allotment Option as described and contained in this prospectus, it/he shall not and shall procure that the relevant registered shareholder(s) shall not:

- (a) in the period commencing on the date by reference to which disclosure of its/his shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those Shares in respect of which it/he is shown by this prospectus to be the beneficial owners; or
- (b) in the period of six months commencing on the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it/he would cease to be a controlling shareholder (as defined in the Listing Rules) of our Company.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has also undertaken to the Stock Exchange and our Company respectively that, within the period commencing on the date by reference to which disclosure of its/his shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, it/he will:

- (1) when it/he pledges or charges any Shares beneficially owned by it/him in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform us in writing of such pledge or charge together with the number of Shares so pledged or charged; and
- (2) when it/he receive indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares will be disposed of, immediately inform us of such indications.

Undertakings pursuant to the Hong Kong Underwriting Agreement

Undertakings by us

Except for the issue of Shares pursuant to the Global Offering, the Capitalisation Issue (including pursuant to the Over-allotment Option) and options which may be granted under the

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Share Option Scheme or as otherwise with the prior written consent of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules, at any time after the date of the Hong Kong Underwriting Agreement up to and including the date falling six months after the Listing Date (the “First Six- Month Period”), we have, pursuant to the Hong Kong Underwriting Agreement, undertaken to the Sole Global Coordinator (acting on behalf of all the Hong Kong Underwriters) that:

- (a) our Company will not, and will procure that our subsidiaries will not, offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any options, warrants or other rights to purchase or subscribe for, make any share sale, lend or otherwise transfer or dispose of, either directly or indirectly, or repurchase, any of its share capital, debt capital or any securities of our Company or any of our subsidiaries or any interest therein (including but not limited to any warrants and securities convertible into or exercisable or exchangeable for or that represent the right to receive, or any warrants or other rights to purchase, any such share capital or securities or interest therein, as applicable); or
- (b) our Company will not, and will procure that our subsidiaries will not, enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the share capital, debt capital or other securities of our Company or any interest therein; or
- (c) our Company will not, and will procure that our subsidiaries will not, enter into any transaction with the same economic effect as any transaction described in paragraph (a) or (b) above; or
- (d) our Company will not, and will procure that our subsidiaries will not, agree or contract to, or publicly announce any intention to enter into any transaction described in paragraph (a), (b) or (c) above,

whether any of the foregoing transactions described in paragraph (a), (b) or (c) above is to be settled by delivery of share capital or such other securities, in cash or otherwise; and

- (e) our Company will ensure that if any of the transactions in paragraph (a), (b) or (c) above is entered into or agreed to be entered into during the period of six months immediately following the expiry of the First Six-Month Period (the “Second Six-Month Period”), it will take all reasonable steps to ensure that any such act will not create a disorderly or false market for any Shares or other securities of our Company.

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Undertakings by our Controlling Shareholders

Pursuant to the Hong Kong Underwriting Agreement, each of our Controlling Shareholders has undertaken jointly and severally to each of the Sole Sponsor, the Joint Lead Managers, the Sole Global Coordinator, our Company and the Hong Kong Underwriters that:

- (i) at any time during the First Six-Month Period, he/it shall not, and shall procure that the relevant registered holder(s) and his/its associates and companies controlled by him/it and any nominee or trustee holding in trust for him/it shall not, without the prior written consent of the Sole Global Coordinator and unless pursuant to the Stock Borrowing Agreement and/or the Share Option Scheme or otherwise in compliance with the requirements of the Listing Rules, (a) offer, accept subscription for, sell, pledge, mortgage, charge, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, make any share sale, lend or otherwise transfer or dispose of, either directly or indirectly, any of the share capital of our Company or any securities of our Company or any interest therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive any such share capital or securities or interest therein); or (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the share capital, debt capital or other securities of our Company or any interest therein; (c) enter or agree to enter into, conditionally or unconditionally, or effect any of the transaction with the same economic effect as any transaction referred to in (a) or (b) above; or (d) agree, or contract to, or publicly announce any intention to enter into or effect any of the transaction referred to in (a), (b) or (c) above;

whether any of the foregoing transactions described in paragraph (a), (b) or (c) above is to be settled by delivery of share capital or such other securities, in cash or otherwise, or offer to or agree to do any of the foregoing or announce any intention to do so; and

- (ii) at any time during the Second Six-Month Period, he/it shall not, and shall procure that the relevant registered holder(s) and his/its associates or companies controlled by him/it and any nominee or trustee holding in trust for him/it shall not, without the prior written consent of the Sole Global Coordinator and unless pursuant to the Stock Borrowing Agreement and/or the Share Option Scheme or otherwise in compliance with the Listing Rules, enter into any of the foregoing transactions in paragraph (i) above or agree or contract to or publicly announce any intention to enter into any such transaction if, immediately following such transfer or disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be a Controlling Shareholder of our Company or would together with the other Controlling Shareholders cease to be, or regarded as, Controlling Shareholders of our Company;

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- (iii) at any time before the expiry of the Second Six-Month Period, in the event that he/it enters into any transaction referred to in paragraph (i) above or agrees or contracts to or publicly announces an intention to enter into such transactions, he/it shall take all reasonable steps to ensure that such action shall not create a disorderly or false market for any Shares or other securities of our Company; and
- (iv) he/it shall, and shall procure that his/its associates and companies controlled by him/it and nominees or trustees holding in trust for him/it shall, comply with all the restrictions and requirements under the Listing Rules on the sale, transfer or disposal by him/it or by the registered holder controlled by him/it of any Shares.

Each of our Controlling Shareholders has further undertaken jointly and severally to each of the Sole Sponsor, Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and our Company, during the first twelve months from the Listing Date, he/it will:

- (1) when he/it pledges or charges any Shares or other securities or interests in the securities of our Company in respect of which he/it is the beneficial owner, immediately inform our Company, the Sole Sponsor, the Joint Lead Managers and the Sole Global Coordinator in writing of such pledges or charges together with the number of Shares or other securities of our Company and nature of interest so pledged or charged; and
- (2) when he/it receives any indication, whether verbal or written, from any pledgee or chargee that any of the pledged or charged Shares or securities or interests in the securities of our Company will be sold, transferred or disposed of, immediately inform our Company, the Sole Sponsor, the Joint Lead Managers and the Sole Global Coordinator in writing of such indications.

We will inform the Stock Exchange as soon as we have been informed of any of the above matters (if any) by our Controlling Shareholders and disclose such matters by way of a press announcement in accordance with Rule 2.07C of the Listing Rules.

The International Placing

In connection with the International Placing, it is expected that our Company will enter into the International Placing Underwriting Agreement with, inter alia, the International Placing Underwriters, on terms and conditions that are substantially similar to the Hong Kong Underwriting Agreement as described above and on the additional terms described below. Under the International Placing Underwriting Agreement, the International Placing Underwriters will severally agree to subscribe or purchase or procure subscribers or purchasers for the International Placing Shares being offered pursuant to the International Placing.

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Our Company will grant to the Sole Global Coordinator the Over-allotment Option, exercisable by the Sole Global Coordinator on behalf of the International Placing Underwriters at any time from the date of the Price Determination Date until 30 days after the last date for the lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue up to an aggregate of 28,125,000 additional Shares representing 15% of the number of Offer Shares initially offered under the Global Offering, at the same price per Share under the International Placing to cover over-allocations (if any) in the International Placing.

Commissions and expenses

The Underwriters will receive an underwriting commission at the rate of 5.5% of the aggregate Offer Price payable for the Offer Shares (including the Shares to be issued pursuant to the Over-allotment Option, if any), out of which they will pay any sub-underwriting commissions. The underwriting commission (not taking into account the aforesaid incentive fee), together with the Stock Exchange listing fees, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees, printing, and other expenses relating to the Global Offering, is currently estimated to be approximately HK\$30.2 million in aggregate (based on an Offer Price of HK\$1.03 per Offer Share, being the mid-point of the indicative Offer Price range of HK\$0.93 and HK\$1.13 per Offer Share and based on the assumption that the Over-allotment Option is not exercised) and is paid or payable by our Company.

UNDERWRITERS' INTERESTS IN OUR COMPANY

Save for their obligations under the Underwriting Agreements, none of the Underwriters is interested legally or beneficially in any shares of any member of our Group nor has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any member of our Group nor any interest in the Global Offering.

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THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. China Investment Securities International Capital Limited is the Sole Sponsor. China Investment Securities International Brokerage Limited is the Sole Global Coordinator. China Investment Securities International Brokerage Limited, Ping An of China Securities (Hong Kong) Company Limited and Orient Securities (Hong Kong) Limited are the Joint Bookrunners of the Global Offering. China Investment Securities International Brokerage Limited, Ping An of China Securities (Hong Kong) Company Limited, Orient Securities (Hong Kong) Limited, Quam Securities Company Limited, Convoy Investment Services Limited and Grand China Securities Limited are the Joint Lead Managers of the Global Offering.

The Global Offering consists of (subject to reallocation and the Over-allotment Option):

- the Hong Kong Public Offering of 18,750,000 Shares (subject to reallocation as mentioned below) in Hong Kong as described below under the section headed “Structure of the Global Offering — The Hong Kong Public Offering”; and
- the International Placing of 168,750,000 Shares (subject to reallocation and the Over-allotment Option as mentioned below) outside the United States in reliance on Regulation S under the U.S. Securities Act as described below under the section headed “Structure of the Global Offering — The International Placing”.

Investors may apply for the Offer Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for the Offer Shares under the International Placing, but may not do both. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Placing will involve selective marketing of the Offer Shares to institutional and professional investors and other investors outside the United States in reliance on Regulation S under the U.S. Securities Act. The International Placing Underwriters are soliciting from prospective investors indications of interest in acquiring the Offer Shares in the International Placing. Prospective investors will be required to specify the number of Offer Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Placing respectively may be subject to reallocation as described in the section headed “Structure of the Global Offering — Pricing and allocation”.

PRICING AND ALLOCATION

Offer Price

The Offer Price will be not more than HK\$1.13 per Offer Share and is expected to be not less than HK\$0.93 per Offer Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, as explained below. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

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Price payable on application

Applicants under the Hong Kong Public Offering must pay, on application, the maximum indicative Offer Price of HK\$1.13 per Offer Share plus a 1% brokerage fee, a 0.0027% SFC transaction levy and a 0.005% Stock Exchange trading fee, amounting to a total of HK\$3,424.16 for one board lot of 3,000 Shares. Each Application Form includes a table showing the exact amount payable on certain numbers of Offer Shares. If the Offer Price as finally determined in the manner described below, is less than HK\$1.13, appropriate refund payments (including the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants without interest. Please refer to the section headed “How to apply for the Hong Kong Offer Shares — Refund of application monies” in this prospectus.

Determining the Offer Price

The International Placing Underwriters are soliciting from prospective investors indications of interest in acquiring the Shares in the International Placing. Prospective investors will be required to specify the number of Offer Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or about Tuesday, 6 October 2015.

The Offer Price is expected to be fixed by agreement between the Sole Global Coordinator (on behalf of the Underwriters) and our Company on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or about Tuesday, 6 October 2015 and in any event, no later than Friday, 9 October 2015.

If, for any reason, our Company and the Sole Global Coordinator (on behalf of the Underwriters) are unable to reach agreement on the Offer Price at or before 12:00 noon on Friday, 9 October 2015, the Global Offering will not proceed and will lapse.

Reduction in Offer Price range and/or number of Offer Shares

If, based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, the Sole Global Coordinator (on behalf of the Underwriters) considers it appropriate and together with our consent, the indicative Offer Price range and/or the number of Offer Shares may be reduced below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering.

In such a case, our Company will, as soon as practicable following the decision to make any such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause to be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) notice of the reduction in the indicative

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Offer Price range and/or number of Offer Shares. Such notice will also include confirmation or revision, as appropriate, of the offering statistics as currently set out in the section headed “Summary” in this prospectus and any other financial information which may change as a result of such reduction. The Offer Price, if agreed upon, will be fixed within such revised Offer Price range. In the absence of the publication of any such notice, the Offer Price shall under no circumstances be set outside the Offer Price range indicated in this prospectus.

Before submitting applications for Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative Offer Price range and/or number of Offer Shares may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering.

Allocation

The Shares to be offered in the Hong Kong Public Offering and the International Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Global Coordinator.

Allocation of the Offer Shares pursuant to the International Placing will be determined by the Sole Global Coordinator and will be based on a number of factors including the level and timing of demand, total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell the Shares after Listing. Such allocation may be made to professional, institutional, corporate and/or other investors and is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a stable shareholder base to the benefit of our Company and our Shareholders as a whole.

Allocation of the Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. The allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

Announcement of final Offer Price and basis of allocations

The applicable final Offer Price, the level of indications of interest in the International Placing and the basis of allocations of the Hong Kong Offer Shares are expected to be announced on Thursday, 15 October 2015 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese).

Results of allocations in the Hong Kong Public Offering, including the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants (where applicable) and the number of Hong Kong Offer Shares successfully applied for under **WHITE**

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and **YELLOW** Application Forms, or by giving **electronic application instructions** to HKSCC or by applying online through the **HK eIPO White Form** Service Provider under the **HK eIPO White Form** service, will be made available through a variety of channels as described in the section headed “How to apply for the Hong Kong Offer Shares — 11. Publication of results” in this prospectus.

CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for the Offer Shares pursuant to the Hong Kong Public Offering will be conditional upon, among other things:

- the Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including the Shares which may be made available pursuant to the Capitalisation Issue, the exercise of the Over-allotment Option and any Shares which may fall to be issued upon the exercise of the options which may be granted under the Share Option Scheme);
- the Offer Price having been duly agreed on or about the Price Determination Date;
- the execution and delivery of the International Placing Underwriting Agreement on or around the Price Determination Date; and
- the obligations of the Underwriters under the International Placing Underwriting Agreement and the Hong Kong Underwriting Agreement having become unconditional and not having been terminated in accordance with their respective terms,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are waived on or before such dates and times) and in any event not later than 30 days after the date of this prospectus.

The consummation of each of the Hong Kong Underwriting Agreement and the International Placing Underwriting Agreement is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived, prior to the dates and times specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will cause to be published by us in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed “How to apply for the Hong Kong Offer Shares — 13. Refund of application monies” in this prospectus. In the meantime, the application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

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Share certificates for the Offer Shares are expected to be issued on Thursday, 15 October 2015 but will only become valid certificates of title at 8:00 a.m. on Friday, 16 October 2015, provided that (i) the Global Offering has become unconditional in all respects; and (ii) the right of termination as described in the section headed “Underwriting — Underwriting arrangements and expenses — The Hong Kong Public Offering — Grounds for termination” in this prospectus has not been exercised.

THE HONG KONG PUBLIC OFFERING

Number of Shares initially offered

Our Company is initially offering 18,750,000 Shares at the Offer Price, representing 10% of the 187,500,000 Shares initially available under the Global Offering, for subscription by the public in Hong Kong. Subject to adjustment as mentioned below, the number of Shares offered under the Hong Kong Public Offering will represent 2.5% of the total issued share capital of our Company immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Completion of the Hong Kong Public Offering is subject to the conditions set out in the section headed “Structure of the Global Offering — Conditions of the Hong Kong Public Offering” above.

Allocation

For allocation purposes only, the Hong Kong Offer Shares initially being offered for subscription under the Hong Kong Public Offering (after taking into account any adjustment in the number of Offer Shares allocated between the Hong Kong Public Offering and the International Placing) will be divided equally into two pools (subject to adjustment of odd lot size). Pool A will comprise 9,375,000 Hong Kong Offer Shares and Pool B will comprise 9,375,000 Hong Kong Offer Shares, both of which are available on a fair basis to successful applicants. All valid applications that have been received for Hong Kong Offer Shares with a total amount (excluding the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee) of HK\$5 million or below will fall into Pool A and all valid applications that have been received for Hong Kong Offer Shares with a total amount (excluding the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee) of over HK\$5 million and up to the total value of Pool B, will fall into Pool B.

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If Hong Kong Offer Shares in one pool (but not both pools) are undersubscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only receive an allocation of Hong Kong Offer Shares from either Pool A or Pool B but not from both pools and

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may only apply for Hong Kong Offer Shares in either Pool A or Pool B. In addition, multiple or suspected multiple applications within either pool or between pools will be rejected. No application will be accepted from applicants for more than 9,375,000 Hong Kong Offer Shares (being 50% of the initial number of Hong Kong Offer Shares).

Reallocation

The allocation of the Shares between the Hong Kong Public Offering and the International Placing is subject to adjustment. If the number of Shares validly applied for in the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more, of the number of Shares initially available under the Hong Kong Public Offering, the total number of Shares available under the Hong Kong Public Offering will be increased to 56,250,000, 75,000,000 and 93,750,000 Shares, respectively, representing 30% (in the case of (i)), 40% (in the case of (ii)) and 50% (in the case of (iii)), respectively, of the total number of Shares initially available under the Global Offering (before any exercise of the Over-allotment Option). In such cases, the number of Shares allocated in the International Placing will be correspondingly reduced, in such manner as the Sole Global Coordinator deems appropriate, and such additional Shares will be allocated to Pool A and Pool B equally.

If the Hong Kong Offer Shares are not fully subscribed, the Sole Global Coordinator has the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Placing, in such proportions as the Sole Global Coordinator deems appropriate. In addition, the Sole Global Coordinator may reallocate Offer Shares from the International Placing to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

The Offer Shares to be offered in the Hong Kong Public Offering and the International Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Global Coordinator.

Applications

The Sole Global Coordinator (on behalf of the Underwriters) may require any investor who has been offered Shares under the International Placing, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Sole Global Coordinator so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for Shares under the Hong Kong Public Offering.

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him that he and any person for whose benefit he is making the application have not applied for or taken up, or indicated an

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interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing, and such applicant's application is liable to be rejected if the said undertaking or confirmation is breached or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Placing.

References in this prospectus to applications, Application Forms, application monies or to the procedure for application relate solely to the Hong Kong Public Offering.

THE INTERNATIONAL PLACING

Number of Offer Shares initially offered

The number of Shares to be initially offered for subscription under the International Placing will be 168,750,000 Shares, representing 90% of the Offer Shares under the Global Offering. The International Placing is subject to the Hong Kong Public Offering becoming unconditional.

Allocation

Pursuant to the International Placing, the International Placing Underwriters will conditionally place the Shares with institutional and professional investors and other investors expected to have a sizeable demand for the Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S under the U.S. Securities Act. Allocation of Offer Shares pursuant to the International Placing will be effected in accordance with the "book-building" process described in paragraph headed "Pricing and allocation" above and based on a number of factors, including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares, and/or hold or sell its Shares after Listing. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a stable shareholder base to the benefit of our Company and our Shareholders as a whole.

OVER-ALLOTMENT OPTION

Our Company is expected to grant to the International Placing Underwriters the Over-allotment Option, exercisable by the Sole Global Coordinator on behalf of the International Placing Underwriters at any time and from time to time from the Listing Date, up to (and including) the date which is the 30th day after the last day for lodging of applications under the Hong Kong Public Offering. A press announcement will be made in the event that the Over-allotment Option is exercised. Pursuant to the Over-allotment Option, our Company may be required to issue up to 28,125,000 Shares, representing 15% of the number of Offer Shares initially available under the Global Offering, at the Offer Price to cover over-allocations in the International Placing, if any. The Sole Global Coordinator may also cover any over-allocations by purchasing Shares in the secondary market or by a combination of purchases in the secondary market and a partial exercise of the Over-allotment Option. Any such secondary market purchase will be made in compliance with all applicable laws, regulations and rules.

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STOCK BORROWING AGREEMENT

China Investment Securities International Brokerage Limited, as the Stabilising Manager, or any person acting for it may choose to borrow Shares from Master Professional, under the Stock Borrowing Agreement, or acquire Shares from other sources, including the exercising of the Over-allotment Option. The Stock Borrowing Agreement will not be subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set forth in Rule 10.07(3) of the Listing Rules are to be complied with as follows:

- such stock borrowing arrangement with Master Professional will only be effected by the Stabilising Manager for settlement of over-allocations in the International Placing and covering any short position prior to the exercise of the Over-allotment Option;
- the maximum number of Shares borrowed from Master Professional under the Stock Borrowing Agreement will be limited to the maximum number of Shares which may be issued upon exercise of the Over-allotment Option;
- the same number of Shares so borrowed must be returned to Master Professional or its nominees on or before the third business day following the earlier of (i) the last day on which the Over-allotment Option may be exercised; (ii) the date on which the Over-allotment Option is exercised in full and the relevant over-allocation shares have been allocated; and (iii) such earlier time as the parties may from time to time agree in writing;
- the stock borrowing arrangement under the Stock Borrowing Agreement will be effected in compliance with all applicable laws, listing rules and regulatory requirements; and
- no payment will be made to Master Professional by the Stabilising Manager or its authorised agents in relation to such stock borrowing arrangement.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the new securities in the secondary market during a specified period of time to retard and, if possible, prevent any decline in the market price of the securities below the offer price. In Hong Kong, activity aimed at reducing the market price is prohibited and the price at which stabilisation is effected is not permitted to exceed the Offer Price.

STRUCTURE OF THE GLOBAL OFFERING

In connection with the Global Offering, China Investment Securities International Brokerage Limited, as the Stabilising Manager, or any person acting for it, on behalf of the Underwriters, may, to the extent permitted by the applicable laws of Hong Kong or elsewhere, over-allocate or effect any other transactions with a view to stabilising or maintaining the market price of the Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the Listing Date. Any market purchases of Shares will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilising Manager or any person acting for it to conduct any such stabilising activity, which if commenced, will be done at the absolute discretion of the Stabilising Manager and may be discontinued at any time. Any such stabilising activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering. The number of Shares that may be over-allocated will not exceed the number of Shares that may be sold under the Over-allotment Option, namely, 28,125,000 Shares, which is 15% of the number of Offer Shares initially available under the Global Offering.

Stabilising action will be entered into in accordance with the laws, regulations and rules in place in Hong Kong on stabilisation and stabilising action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules includes: (i) over-allocation for the purpose of preventing or minimising any reduction in the market price of the Shares; (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of the Shares; (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimising any reduction in the market price of the Shares; (v) selling or agreeing to sell any Shares in order to liquidate any position held as a result of those purchases; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in the Shares should note that:

- the Stabilising Manager, or any person acting for it, may, in connection with the stabilising action, maintain a long position in the Shares;
- there is no certainty regarding the extent to which and the time period for which the Stabilising Manager, or any person acting for it, will maintain such a position;
- liquidation of any such long position by the Stabilising Manager may have an adverse impact on the market price of the Shares;
- no stabilising action can be taken to support the price of the Shares for longer than the stabilising period which will begin on the Listing Date following announcement of the Offer Price, and is expected to expire on the last business day immediately before the 30th day after the last date for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilising action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;

STRUCTURE OF THE GLOBAL OFFERING

- the price of the Shares cannot be assured to stay at or above the Offer Price either during or after the stabilising period by taking of any stabilising action; and
- stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

Our Company will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilising period.

In connection with the Global Offering, the Stabilising Manager may over-allocate up to and not more than an aggregate of 28,125,000 additional Shares and cover such over-allocations by exercising the Over-allotment Option, or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means. In particular, for the purpose of settlement of over-allocations in connection with the International Placing, the Stabilising Manager may borrow up to 28,125,000 Shares from Master Professional, equivalent to the maximum number of Shares to be issued on full exercise of the Over-allotment Option, under the Stock Borrowing Agreement.

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the Shares to be admitted into CCASS. If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, 16 October 2015, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, 16 October 2015. The Shares will be traded in board lots of 3,000 Shares.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Placing Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** at www.hkeipo.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Global Coordinator, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form**, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

If an application is made by a person under a power of attorney, the Sole Global Coordinator may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any its subsidiaries;
- a director or chief executive officer of our Company and/or any of its subsidiaries;
- an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Global Offering; or
- have been allocated or have applied for any International Placing Shares or otherwise participate in the International Placing.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.hkeipo.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a copy of this prospectus during normal business hours from 9:00 a.m. on Wednesday, 30 September 2015 until 12:00 noon on Tuesday, 6 October 2015 from:

- (i) any of the following offices of the Hong Kong Underwriters:
 - (a) China Investment Securities International Brokerage Limited
63/F, Bank of China Tower
1 Garden Road
Central
Hong Kong
 - (b) Ping An of China Securities (Hong Kong) Company Limited
28/F, 169 Electric Road
North Point
Hong Kong
 - (c) Orient Securities (Hong Kong) Limited
28th and 29th Floor
100 Queen's Road Central
Hong Kong
 - (d) Quam Securities Company Limited
18/F-19/F China Building
29 Queen's Road Central
Hong Kong
 - (e) Convoy Investment Services Limited
24C, @Convoy
169 Electric Road
North Point
Hong Kong
 - (f) Grand China Securities Limited
Room 2005, 20/F, Sino Plaza
255 Gloucester Road
Causeway Bay
Hong Kong
 - (g) President Securities (Hong Kong) Limited
Units 2603-06, 26/F, Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

(h) Gransing Securities Co., Limited
 805-806 Far East Consortium Building
 121 Des Voeux Road Central
 Hong Kong

(ii) any of the following branches of The Bank of East Asia, Limited:

District	Branch Name	Address
Hong Kong Island	Main Branch	10 Des Voeux Road Central, Central
	Wanchai Branch	Shop A-C, G/F, Easey Commercial Building, 253-261 Hennessy Road, Wanchai
	Hennessy Road Branch	G/F, Eastern Commercial Centre, 395-399 Hennessy Road, Wanchai
	Shaukiwan Branch	G/F, Ka Fook Building, 289-293 Shau Kei Wan Road, Shau Kei Wan
	Taikoo Shing Branch	Shop G1010-1011, Yiu Sing Mansion, Taikoo Shing
Kowloon	Mongkok Branch	638-640 Nathan Road, Mongkok
	Prince Edward Branch	G/F, Hanley House, 776-778 Nathan Road, Prince Edward
	Kwun Tong Branch	7 Hong Ning Road, Kwun Tong
	East Tsim Sha Tsui Branch	Shop G3-G5, G/F, East Ocean Centre, 98 Granville Road, Tsim Sha Tsui
	Mei Foo Sun Chuen Branch	Shop N57, G/F, Mount Sterling Mall, Mei Foo
New Territories	Tai Wai Branch	Cheung Fung Mansion, 16-18 Tai Wai Road, Shatin
	Tai Po Branch	62-66 Po Heung Street, Tai Po Market, Tai Po
	Tuen Mun Branch	Shop G16, G/F, Eldo Court Shopping Centre, Tuen Mun
	Tsuen Wan Branch	239-243 Sha Tsui Road, Tsuen Wan
	Metro City Plaza Branch	Shop 243, Level 2, Metro City Plaza I, 1 Wan Hang Road, Tseung Kwan O

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

You can collect a **YELLOW** Application Form and a copy of this prospectus during normal business hours from 9:00 a.m. on Wednesday, 30 September 2015 until 12:00 noon on Tuesday, 6 October 2015 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "The Bank of East Asia (Nominees) Limited — China Partytime Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Wednesday, 30 September 2015 — 9:00 a.m. to 5:00 p.m.

Friday, 2 October 2015 — 9:00 a.m. to 5:00 p.m.

Saturday, 3 October 2015 — 9:00 a.m. to 1:00 p.m.

Monday, 5 October 2015 — 9:00 a.m. to 5:00 p.m.

Tuesday, 6 October 2015 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Tuesday, 6 October 2015, the last application day or such later time as described in the paragraph headed "10. Effect of bad weather on the opening of the application lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form Service**, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Sole Global Coordinator (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- (v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;
- (vi) agree that none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing nor participated in the International Placing;
- (viii) agree to disclose to our Company, our Hong Kong Share Registrar, the receiving bank, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S under the U.S. Securities Act) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S under the U.S. Securities Act;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have collected the share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **HK eIPO White Form** by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for Yellow Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH HK eIPO WHITE FORM

General

Individuals who meet the criteria in the paragraph headed "Who can apply" in this section, may apply through the **HK eIPO White Form** Service for the Offer Shares to be allotted and registered in their own names through the designated website at **www.hkeipo.hk**.

Detailed instructions for application through the **HK eIPO White Form** Service are on the designated website. If you do not follow the instructions, your application may be rejected and

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

may not be submitted to our Company. If you apply through the designated website, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** Service.

Time for Submitting Applications under the HK eIPO White Form

You may submit your application through the **HK eIPO White Form** Service Provider at www.hkeipo.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Wednesday, 30 September 2015 until 11:30 a.m. on Tuesday, 6 October 2015 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Tuesday, 6 October 2015 or such later time under the paragraph headed “Effect of bad weather on the opening of the application lists” in this section.

No Multiple Applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any electronic application instructions given by you or for your benefit through the **HK eIPO White Form** Service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instructions under **HK eIPO White Form** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

If you are a CCASS Investor Participant, you may give these electronic application instructions through the CCASS Phone System by calling (852) 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
1/F, One & Two Exchange Square
8 Connaught Place
Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Global Coordinator and our Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant’s stock account on your behalf or your CCASS Investor Participant’s stock account;
 - agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing;
- (if the electronic application instructions are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
- confirm that you understand that our Company, our Directors and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our Hong Kong Share Registrar, receiving bank, the Sole Global Coordinator, the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Companies Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 3,000 Hong Kong Offer Shares. Instructions for more than 3,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Wednesday, 30 September 2015 — 9:00 a.m. to 8:30 p.m.⁽¹⁾
Friday, 2 October 2015 — 8:00 a.m. to 8:30 p.m.⁽¹⁾
Saturday, 3 October 2015 — 8:00 a.m. to 1:00 p.m.⁽¹⁾
Monday, 5 October 2015 — 8:00 a.m. to 8:30 p.m.⁽¹⁾
Tuesday, 6 October 2015 — 8:00 a.m.⁽¹⁾ to 12:00 noon

Note:

1. These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Wednesday, 30 September 2015 until 12:00 noon on Tuesday, 6 October 2015 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Tuesday, 6 October 2015, the last application day or such later time as described in the paragraph headed “Effect of bad weather on the opening of the application lists” in this section.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Share Registrar, the receiving bank, the Sole Global Coordinator, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **HK eIPO White Form** is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** Service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Tuesday, 6 October 2015.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **HK eIPO White Form**, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company, then the application will be treated as being for your benefit.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** in respect of a minimum of 3,000 Hong Kong Offer Shares. Each application or **electronic application instructions** in respect of more than 3,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.hkeipo.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed “Structure of the Global Offering”.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 6 October 2015. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Tuesday, 6 October 2015 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected timetable” in this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Placing, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Thursday, 15 October 2015 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and on our Company’s website at **www.partytime.com.cn** and the website of the Stock Exchange at **www.hkexnews.hk**.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manners specified below:

- in the announcement to be posted on our Company's website at **www.partytime.com.cn** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m. on Thursday, 15 October 2015;
- from the designated results of allocations website at **www.tricor.com.hk/ipo/result** with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Thursday, 15 October 2015 to 12:00 midnight on Wednesday, 21 October 2015;
- by telephone enquiry line by calling 852 3691-8488 between 9:00 a.m. and 6:00 p.m. from Thursday, 15 October 2015 to Tuesday, 20 October 2015 (excluding Saturday and Sunday); and
- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, 15 October 2015 to Monday, 19 October 2015 at all the receiving bank branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure of the Global Offering".

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG OFFER SHARES

You should note the following situations in which the Hong Kong Offer shares will not be allotted to you:

(i) **If your application is revoked:**

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or through the **HK eIPO White Form**, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Sole Global Coordinator, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Placing Shares;

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form** are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Sole Global Coordinator believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK\$1.13 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering set out in the section headed "Structure of the Global Offering — Conditions of the Global Offering" in this prospectus are not fulfilled or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Thursday, 15 October 2015.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Thursday, 15 October 2015. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier order(s).

Share certificates will only become valid at 8:00 a.m. on Friday, 16 October 2015 provided that the Global Offering has become unconditional and the right of termination described in the section headed “Underwriting” in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

Personal Collection

(i) *If you apply using a WHITE Application Form*

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 15 October 2015 or such other date as notified by us in the newspapers.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Thursday, 15 October 2015, by ordinary post and at your own risk.

(ii) *If you apply using a YELLOW Application Form*

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Thursday, 15 October 2015, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Thursday, 15 October 2015, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Hong Kong Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS participant.

- *If you apply as a CCASS investor participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in the paragraph headed "Publication of results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 15 October 2015 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

(iii) *If you apply through the HK eIPO White Form*

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your share certificate(s) from Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 15 October 2015, or such other date as notified by our Company in the newspapers as the date of despatch/collection of share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Thursday, 15 October 2015 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) *If you apply via Electronic Application Instructions to HKSCC*

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, 15 October 2015, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

in the manner specified in the paragraph headed “Publication of results” above on Thursday, 15 October 2015. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 15 October 2015 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time) on Thursday, 15 October 2015. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, 15 October 2015.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the reporting accountants of the Company, Grant Thornton Hong Kong Limited, Certified Public Accountants, Hong Kong.



30 September 2015

The Directors
China Partytime Culture Holdings Limited

China Investment Securities International Capital Limited

Dear Sirs,

We set out below our report on the financial information relating to China Partytime Culture Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) comprising the combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for each of the years ended 31 December 2012, 2013 and 2014 and the three months ended 31 March 2015 (the “Track Record Period”), and the combined statements of financial position of the Group as at 31 December 2012, 2013 and 2014 and 31 March 2015 and the statement of financial position of the Company as at 31 March 2015, together with the notes thereto (the “Financial Information”), and the comparative combined statement of profit or loss and other comprehensive income, combined statement of changes in equity and combined statement of cash flows of the Group for the three months ended 31 March 2014 (the “Interim Comparative Information”), prepared on the basis of presentation set out in note 1.2 of Section II below, for inclusion in the prospectus of the Company dated 30 September 2015 (the “Prospectus”) in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 12 February 2015. Pursuant to a group reorganisation, as more fully explained in the section headed “History and Corporate Structure” to the Prospectus (the “Reorganisation”), the Company became the holding company of the entities comprising the Group on 11 May 2015. Apart from the Reorganisation, the Company has not commenced any business or operation since its incorporation.

As at the date of this report, no statutory financial statements have been prepared for the Company, as it is not subject to statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

As at the end of the Track Record Period, the Company had direct and indirect interests in the subsidiaries as set out in note 1.1 of Section II below. All companies now comprising the Group have adopted 31 December as their financial year end date. The statutory financial statements of the companies now comprising the Group were prepared in accordance with the relevant accounting principles applicable to these companies in the countries in which they were incorporated and/or established. Details of their statutory auditors during the Track Record Period are set out in note 1.1 of Section II below.

For the purpose of this report, the directors of the Company (the “Directors”) have prepared the combined financial statements of the Group (the “Underlying Financial Statements”) in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The Underlying Financial Statements for each of the years ended 31 December 2012, 2013 and 2014, and the three months ended 31 March 2015 were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

Directors' responsibility

The Directors are responsible for the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that give a true and fair view in accordance with HKFRSs, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements, the Financial Information and Interim Comparative Information that are free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

It is our responsibility to form an independent opinion and a review conclusion on the Financial Information and the Interim Comparative Information, respectively, and to report our opinion and review conclusion thereon to you.

For the purpose of this report, we have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the HKICPA.

We have also performed a review of the Interim Comparative Information in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an opinion on the Interim Comparative Information.

Opinion in respect of the Financial Information

In our opinion, for the purpose of this report and on the basis of presentation set out in note 1.2 of Section II below, the Financial Information gives a true and fair view of the state of affairs of the Group as at 31 December 2012, 2013 and 2014 and 31 March 2015 and the Company as at 31 March 2015 and of the combined results and cash flows of the Group for each financial year/period during the Track Record Period.

Review conclusion in respect of the Interim Comparative Information

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Interim Comparative Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

I. FINANCIAL INFORMATION

Combined Statements of Profit or Loss and Other Comprehensive Income

	Notes	Year ended 31 December			Three months ended 31 March	
		2012	2013	2014	2014	2015
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					<i>(unaudited)</i>	
Revenue	4	245,825	298,752	397,923	50,028	97,393
Costs of sales		<u>(182,066)</u>	<u>(218,972)</u>	<u>(287,141)</u>	<u>(37,166)</u>	<u>(70,419)</u>
Gross profit		63,759	79,780	110,782	12,862	26,974
Other income	5	848	591	1,121	97	1,440
Selling expenses		<u>(7,523)</u>	<u>(9,236)</u>	<u>(11,605)</u>	<u>(1,981)</u>	<u>(3,026)</u>
Administrative and other operating expenses		<u>(15,079)</u>	<u>(19,831)</u>	<u>(19,961)</u>	<u>(4,418)</u>	<u>(7,429)</u>
Profit from operations		42,005	51,304	80,337	6,560	17,959
Finance costs	6	<u>(2,011)</u>	<u>(1,400)</u>	<u>(2,067)</u>	<u>(371)</u>	<u>(788)</u>
Profit before income tax	7	39,994	49,904	78,270	6,189	17,171
Income tax expense	8	<u>(10,200)</u>	<u>(12,702)</u>	<u>(19,690)</u>	<u>(1,829)</u>	<u>(4,548)</u>
Profit and total comprehensive income for the year/period		<u>29,794</u>	<u>37,202</u>	<u>58,580</u>	<u>4,360</u>	<u>12,623</u>
Profit for the year/period attributable to:						
Equity holders of the Company		17,876	36,638	58,580	4,360	10,730
Non-controlling interests		<u>11,918</u>	<u>564</u>	<u>—</u>	<u>—</u>	<u>1,893</u>
		<u>29,794</u>	<u>37,202</u>	<u>58,580</u>	<u>4,360</u>	<u>12,623</u>
Earnings per share attributable to equity holders of the Company						
Basic and diluted	10	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

Combined Statements of Financial Position

	<i>Notes</i>	As at			
		As at 31 December			31 March
		2012	2013	2014	2015
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
ASSETS AND LIABILITIES					
Non-current assets					
Prepaid land lease payments	12	3,660	13,562	13,269	13,196
Property, plant and equipment	13	<u>29,240</u>	<u>33,906</u>	<u>130,391</u>	<u>145,789</u>
		<u>32,900</u>	<u>47,468</u>	<u>143,660</u>	<u>158,985</u>
Current assets					
Inventories	15	28,177	29,051	24,039	21,209
Trade and other receivables	16	12,321	15,961	24,256	28,658
Prepaid land lease payments	12	89	293	293	293
Cash and cash equivalents	17	<u>32,683</u>	<u>42,207</u>	<u>44,808</u>	<u>41,584</u>
		<u>73,270</u>	<u>87,512</u>	<u>93,396</u>	<u>91,744</u>
Current liabilities					
Trade and other payables	18	24,580	15,536	15,888	24,030
Short term borrowings	19	12,407	22,000	64,677	57,528
Income tax payable		<u>2,753</u>	<u>3,368</u>	<u>3,761</u>	<u>3,817</u>
		<u>39,740</u>	<u>40,904</u>	<u>84,326</u>	<u>85,375</u>
Net current assets		<u>33,530</u>	<u>46,608</u>	<u>9,070</u>	<u>6,369</u>
Net assets/Total assets less current liabilities		<u>66,430</u>	<u>94,076</u>	<u>152,730</u>	<u>165,354</u>
Capital and reserves					
Share capital	20	—	—	—	1
Reserves	22	<u>40,183</u>	<u>94,076</u>	<u>137,457</u>	<u>140,551</u>
Equity attributable to equity holders of the Company		40,183	94,076	137,457	140,552
Non-controlling interests		<u>26,247</u>	<u>—</u>	<u>15,273</u>	<u>24,802</u>
Total equity		<u>66,430</u>	<u>94,076</u>	<u>152,730</u>	<u>165,354</u>

Statement of Financial Position

	<i>Notes</i>	As at 31 March 2015 RMB'000
ASSETS AND LIABILITIES		
Non-current assets		
Investments in subsidiaries	14	<u>—</u>
Current assets		
Other receivables		<u>1</u>
Net current assets		<u>1</u>
Net assets/Total assets less current liabilities		<u>1</u>
Capital and reserves		
Share capital	20	<u>1</u>
Total equity		<u><u>1</u></u>

Combined Statements of Changes in Equity

	Equity attributable to equity holders of the Company						
	Share capital RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Share-based payment reserve RMB'000	Retained profits RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 2012	—	30,500	2,582	370	711	22,529	56,692
Profit and total comprehensive income for the year	—	—	—	—	17,876	11,918	29,794
Transfer to statutory reserves	—	—	3,039	—	(3,039)	—	—
Equity settled share-based payments	—	—	—	444	—	—	444
Dividends (note 11)	—	—	—	—	(12,000)	(8,000)	(20,000)
Deemed distribution to shareholders in respect of acquisition of Yiwu Styler by Jiangxi Styler from Controlling Shareholders	—	(300)	—	—	—	(200)	(500)
Transaction with owners	—	(300)	3,039	444	(15,039)	(8,200)	(20,056)
As at 31 December 2012 and 1 January 2013	—	30,200	5,621	814	3,548	26,247	66,430
Profit and total comprehensive income for the year	—	—	—	—	36,638	564	37,202
Transfer to statutory reserves	—	—	3,734	—	(3,734)	—	—
Equity settled share-based payments	—	—	—	444	—	—	444

Equity attributable to equity holders of the Company									
	Share capital RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Share- based payment reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000	
Increase in paid up capital of Jiangxi Styler	—	10,000	—	—	—	10,000	—	10,000	
Dividends (note 11)	—	—	—	—	(20,000)	(20,000)	—	(20,000)	
Acquisition of non-controlling interests	—	26,811	—	—	—	26,811	(26,811)	—	
Transaction with owners	—	36,811	3,734	444	(23,734)	17,255	(26,811)	(9,556)	
As at 31 December 2013 and 1 January 2014	—	67,011	9,355	1,258	16,452	94,076	—	94,076	
Profit and total comprehensive income for the year	—	—	—	—	58,580	58,580	—	58,580	
Equity settled share-based payments	—	—	—	74	—	74	—	74	
Exercise of share-based payments awards	—	—	—	(1,332)	(13,941)	(15,273)	15,273	—	
Transfer to statutory reserves	—	—	5,828	—	(5,828)	—	—	—	
Transaction with owners	—	—	5,828	(1,258)	(19,769)	(15,199)	15,273	74	
As at 31 December 2014 and 1 January 2015	—	67,011	15,183	—	55,263	137,457	15,273	152,730	
Profit and total comprehensive income for the period	—	—	—	—	10,730	10,730	1,893	12,623	
Issue of share capital (note 20)	1	—	—	—	—	1	—	1	

Equity attributable to equity holders of the Company

	Share capital RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Share- based payment reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
Disposal of partial interest to non-controlling interests	—	(7,636)	—	—	—	(7,636)	7,636	—
Transaction with owners	1	(7,636)	—	—	—	(7,635)	7,636	1
As at 31 March 2015	1	59,375	15,183	—	65,993	140,552	24,802	165,354
As at 1 January 2014 (audited)	—	67,011	9,355	1,258	16,452	94,076	—	94,076
Profit and total comprehensive income for the period (unaudited)	—	—	—	—	4,360	4,360	—	4,360
As at 31 March 2014 (unaudited)	—	67,011	9,355	1,258	20,812	98,436	—	98,436

Combined Statements of Cash Flows

	Year ended 31 December			Three months ended 31 March	
	2012	2013	2014	2014	2015
<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
Cash flows from operating activities					
Profit before income tax	39,994	49,904	78,270	6,189	17,171
Adjustments for:					
Amortisation of prepaid land lease payments	89	106	293	73	73
Depreciation	2,182	2,364	2,602	589	1,205
Interest income	(127)	(161)	(241)	(46)	(46)
Equity settled share-based payments	444	444	74	74	—
Unrealised (gains) and losses from change in foreign currency exchange rate	281	(179)	241	356	(25)
Interest expenses	2,011	1,400	2,067	371	788
Gain on disposal of a subsidiary	—	—	(377)	—	—
Loss on disposal of property, plant and equipment	70	39	505	—	53
Operating profit before working capital changes	44,944	53,917	83,434	7,606	19,219
Decrease/(Increase) in inventories	(10,265)	(874)	5,012	(26,369)	2,830
Increase in trade and other receivables	(167)	(3,344)	(10,487)	(17)	(4,323)
Increase/(Decrease) in trade and other payables	9,484	(9,044)	576	31,921	8,143
Cash generated from operations	43,996	40,655	78,535	13,141	25,869
Interest paid	(2,011)	(1,400)	(2,067)	(371)	(788)
Income taxes paid	(9,421)	(12,087)	(19,297)	(3,824)	(4,492)
<i>Net cash generated from operating activities</i>	<u>32,564</u>	<u>27,168</u>	<u>57,171</u>	<u>8,946</u>	<u>20,589</u>

	Notes	Year ended 31 December			Three months ended 31 March	
		2012	2013	2014	2014	2015
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					<i>(unaudited)</i>	
Cash flows from investing activities						
Interest received		127	161	241	46	46
Purchase of prepaid land lease payments		—	(10,212)	—	—	—
Purchase of property, plant and equipment		(2,062)	(7,104)	(99,651)	(7,087)	(16,665)
Net cash inflow from disposal of a subsidiary	26	—	—	1,885	—	—
Proceeds from disposal of property, plant and equipment		<u>27</u>	<u>35</u>	<u>57</u>	<u>—</u>	<u>9</u>
<i>Net cash used in investing activities</i>		<u>(1,908)</u>	<u>(17,120)</u>	<u>(97,468)</u>	<u>(7,041)</u>	<u>(16,610)</u>
Cash flows from financing activities						
Proceeds from bank borrowings		42,997	36,403	73,377	28,000	5,584
Repayment of bank borrowings		(54,495)	(26,671)	(30,700)	—	(12,803)
Proceeds from issuance of share capital		—	—	—	—	1
Proceeds from increase in paid up capital of Jiangxi Styler		—	10,000	—	—	—
Deemed distribution to shareholders in respect of acquisition of Yiwu Styler by Jiangxi Styler from Controlling Shareholders		(500)	—	—	—	—
Dividends paid		<u>(20,000)</u>	<u>(20,000)</u>	<u>—</u>	<u>—</u>	<u>—</u>
<i>Net cash (used in)/generated from financing activities</i>		<u>(31,998)</u>	<u>(268)</u>	<u>42,677</u>	<u>28,000</u>	<u>(7,218)</u>
Net (decrease)/increase in cash and cash equivalents		(1,342)	9,780	2,380	29,905	(3,239)
Cash and cash equivalents at the beginning of the year/period		34,307	32,683	42,207	42,207	44,808
Effect of foreign exchange rate changes		<u>(282)</u>	<u>(256)</u>	<u>221</u>	<u>(249)</u>	<u>15</u>
Cash and cash equivalents at the end of the year/period	17	<u><u>32,683</u></u>	<u><u>42,207</u></u>	<u><u>44,808</u></u>	<u><u>71,863</u></u>	<u><u>41,584</u></u>

II. NOTES TO THE FINANCIAL INFORMATION**1 GENERAL INFORMATION AND BASIS OF PRESENTATION****1.1 General information**

The Company was incorporated in the Cayman Islands as exempted company on 12 February 2015 with limited liability. The address of its registered office is P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. The address of its principal place of business is No. 3 Chunchao Road, Yichun Economic & Technological Development Zone, Jiangxi Province, the People's Republic of China ("PRC"). The Company was formerly known as China Animation Culture Group Holding Co., Ltd. and changed to its current name on 22 April 2015.

The Company is an investment holding company and its subsidiaries are principally engaged in the design, development, production, sales and marketing of cosplay products (including cosplay costumes and cosplay wigs) and sexy lingerie.

The Company's immediate holding company is Master Professional Holdings Limited which was incorporated in the British Virgin Islands ("BVI"). Master Professional Holdings Limited is wholly owned by Mr. Chen Sheng Bi. Mr. Chen Sheng Guan, a brother of Mr. Chen Sheng Bi, holds interests in the Company via Summit Quest Holdings Limited which was incorporated in the BVI. Mr. Chen Sheng Bi, Master Professional Holdings Limited, Mr. Chen Sheng Guan, and Summit Quest Holdings Limited are referred to as the "Controlling Shareholders". Mr. Chen Sheng Bi and Mr. Chen Sheng Guan have acted in concert throughout the Track Record Period and the Completion of the Reorganisation.

The Company and its subsidiaries now comprising the Group underwent the reorganisation ("Reorganisation") as set out in paragraphs headed "Reorganisation" in the section headed "History and Corporate Structure" to the Prospectus.

As at the end of each reporting period and the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies, the particulars of which are set out below:

Company name	Place and date of incorporation/ establishment	Registered/ Issued and fully paid up capital at end of Track Record Period/date of disposal/ deregistration	Equity interest attributable to the Group					Principal activities
			As at					
			31 December		31 March		date of this report	
			2012	2013	2014	2015		
Jiangxi Styler Industrial Co., Ltd. 江西絲黛實業有限公司 (“Jiangxi Styler”) (a)	The PRC, 19 December 2007	RMB40,000,000	60%	100%	90%	85%	100%	Manufacturing and sale of cosplay costumes, cosplay wigs and sexy lingerie
Partytime Costume & Lingerie (Yiwu) Factory 義烏市派對服飾有限公司 (“Yiwu Partytime”) (b)	The PRC, 24 June 2007	RMB20,000,000	100%	100%	100%	100%	100%	Manufacturing and sale of cosplay costumes and sexy lingerie
Yiwu Styler Cultural & Creative Co., Ltd. 義烏市絲黛文化創意有限公司 (“Yiwu Styler”) (Formerly known as Yiwu Styler Wigs (Factory) Co., Ltd. 義烏市絲黛假髮有限公司) (c)	The PRC, 10 March 2004	RMB5,000,000	100%	100%	100%	100%	100%	Manufacturing and sale of cosplay wigs
Jiangxi Chunchao Real Estate Development Limited (江西春潮房地產開發有限公司) (“Jiangxi Chunchao”) (d)	The PRC, 26 March 2012	RMB8,000,000	100%	nil	nil	nil	nil	Inactive
Anhui Chunchao Cultural Creativity Limited (安徽春潮文化創意有限公司) (“Anhui Chunchao”) (e)	The PRC, 25 March 2013	RMB5,000,000	N/A	nil	nil	nil	nil	Inactive

Company name	Place and date of incorporation/ establishment	Registered/ Issued and fully paid up capital at end of Track Record Period/date of disposal/ deregistration	Equity interest attributable to the Group				Principal activities	
			As at					
			31 December		31 March			date of this report
			2012	2013	2014	2015		
Jiangxi Styler International Trading Co. Ltd. (江西絲黛國際貿易有限公司) (“Styler Trading”) (f)	The PRC, 7 April 2010	RMB2,000,000	100%	100%	nil	nil	nil	Import and export goods
Win Profit Enterprise Holdings Limited (“Win Profit”) (g)	BVI, 25 February 2015	US\$1	N/A	N/A	N/A	100%	100%	Investment holding
China Partytime Culture (Hong Kong) Limited (“China Partytime”) (Formerly known as China Animation Culture (Hong Kong) Investments Limited) (h)	Hong Kong, 12 March 2015	HK\$1	N/A	N/A	N/A	100%	100%	Investment holding

- (a) On 19 March 2013, the Controlling Shareholders acquired 40% additional equity interest in Jiangxi Styler from a non-controlling shareholder. On 21 March 2013, the increase of registered capital of Jiangxi Styler was legally completed whereby the registered capital was increased by RMB10,000,000 from RMB30,000,000 to RMB40,000,000. On 3 December 2014, 10% equity interests of Jiangxi Styler were transferred to certain non-controlling shareholders pursuant to the share award scheme (note 21). On 6 January 2015, the Controlling Shareholders transferred 5% equity interest in Jiangxi Styler to another non-controlling shareholder.

The statutory financial statements of Jiangxi Styler for each of the years ended 31 December 2012, 2013 and 2014 were prepared in accordance with relevant accounting principles and financial regulations applicable to the enterprises established in the PRC (the “PRC GAAP”) and were audited by Nan Chang Zhong Hai Certified Public Accountants (南昌中海會計師事務所).

- (b) On 2 December 2013, the increase of registered capital of Yiwu Partytime was legally completed whereby the registered capital was increased by RMB15,000,000 from RMB5,000,000 to RMB20,000,000. The statutory financial statements of Yiwu Partytime for each of the years ended 31 December 2012, 2013 and 2014 were prepared in accordance with the PRC GAAP and were audited by Yiwu Jufeng Certified Public Accountants Co., Ltd. (義烏市聚豐會計師事務所有限公司).

- (c) On 29 February 2012, Jiangxi Styler acquired 40% additional equity interest in Yiwu Styler from a non-controlling shareholder. On 29 February 2012, the increase of registered capital of Yiwu Styler was legally completed whereby the registered capital was increased by RMB4,500,000 from RMB500,000 to RMB5,000,000.

The statutory financial statements of Yiwu Styler for each of the years ended 31 December 2012, 2013 and 2014 were prepared in accordance with the PRC GAAP and were audited by Yiwu Jufeng Certified Public Accountants Co., Ltd. (義烏市聚豐會計師事務所有限公司).

- (d) Jiangxi Chunchao was deregistered on 6 January 2013, and no statutory financial statements have been prepared since its incorporation.
- (e) Anhui Chunchao was established by Jiangxi Styler on 25 March 2013. On 18 October 2013, Jiangxi Styler disposed of the registered capital in the amount of RMB3,000,000 and RMB2,000,000 in Anhui Chunchao respectively to an independent third party and Mr. Chen Sheng Guan, one of the Controlling Shareholders, respectively. On 10 December 2014, Mr. Chen Sheng Guan disposed of 40% equity interest in Anhui Chunchao to an independent third party. Anhui Chunchao was inactive during the Track Record Period and hence was not included as a group entity during the Reorganisation subsequent to the disposal by Jiangxi Styler.

No statutory financial statements have been prepared by Anhui Chunchao up to the date of disposal.

- (f) On 20 May 2014, Jiangxi Styler entered into an equity transfer agreement with independent third parties to dispose of its 100% equity interest in Styler Trading. No statutory financial statements have been prepared since its incorporation.
- (g) Win Profit was newly incorporated and there is no statutory audit requirements in the BVI. Win Profit is directly held by the Company, all others subsidiaries are indirectly held by the Company.
- (h) China Partytime was newly incorporated and no audited financial statements have been prepared since incorporation.

1.2 Basis of presentation

Pursuant to the Reorganisation as more fully explained in the paragraphs headed “Reorganisation” in the section headed “History and Corporate Structure” to the Prospectus, the Company became the holding company of the companies now comprising the Group on 11 May 2015. During the Track Record Period, Yiwu Partytime was always a subsidiary of Jiangxi Styler. Before the acquisition by Jiangxi Styler during the year ended 31 December 2012, Yiwu Styler was controlled by the Controlling Shareholders. As Yiwu Styler and Jiangxi Styler were under the common control of the Controlling Shareholders, the acquisition of Yiwu Styler by Jiangxi Styler was accounted for under common control business combination using the principles of merger accounting.

Pursuant to the Reorganisation, which was completed by interspersing the Company, Win Profit and China Partytime between Jiangxi Styler and its shareholders, the Company became the holding company of the companies now comprising the Group on 11 May 2015. The Group is under the common control of the Controlling Shareholders prior to and after the Reorganisation. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity.

The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows for the Track Record Period which include the results, changes in equity and cash flows of the companies comprising the Group have been prepared using the principles of merger accounting under Hong Kong Accounting Guideline 5 “Merger Accounting for Common Control Combinations” as if the Company had always been the holding company of the Group and the current group structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation/establishment, where it is a shorter period.

The combined statements of financial position as at the respective reporting dates have been prepared to present the assets and liabilities of the companies comprising the Group as if the current group structure had been in existence at those dates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the HKICPA which are effective for the accounting period beginning on 1 January 2015 throughout the Track Record Period. The Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The significant accounting policies that have been used in the preparation of this Financial Information are summarised below. These policies have been consistently applied to all the periods presented in the Financial Information.

The Financial Information has been prepared on the historical cost. The Financial Information is presented in Renminbi (“RMB”), which is the functional currency of the Company and its major subsidiaries, and all values are rounded to the nearest thousands (“RMB’000”), except when otherwise indicated.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management’s best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in note 3.

2.2 Issued but not yet effective HKFRSs

The Group has not early applied the following new and revised HKFRSs that are relevant to the Group that have been issued but are not yet effective:

Amendments to HKFRSs	Annual improvements to HKFRSs 2012-2014 Cycle ¹
HKFRS 9 (2014)	Financial Instruments ²
HKFRS 15	Revenue from Contracts with Customers ³

¹ Effective for annual periods beginning on or after 1 January 2016

² Effective for annual periods beginning on or after 1 January 2018

³ Effective for annual periods beginning on or after 1 January 2017

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. The Group is not yet in a position to state whether they would have a significant impact on the Group's results of operations and financial position.

2.3 Basis of consolidation

The Financial Information incorporates the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the Track Record Period. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power over the entity, only substantive rights relating to the entity (held by the Group and others) are considered.

The Group includes the income and expenses of a subsidiary in the Financial Information from the date it gains control until the date when the Group ceases to control the subsidiary.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the combined financial statements. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Non-controlling interests represent the equity on a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the combined statement of financial position within equity, separately from the equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the combined statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the Company.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling interests within combined equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes directly attributable costs of investment.

The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

2.4 Foreign currency translation

In the individual financial statements of the combined entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the Financial Information, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into RMB. Assets and liabilities have been translated into RMB at the closing rates at the reporting date. Income and expenses have been converted into RMB at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in exchange reserve in equity.

2.5 Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Depreciation is provided to write off the cost less their residual values over their estimated useful lives, using the straight-line method, at the following rates per annum:

Buildings	2.86-5%
Plant and machineries	10-20%
Motor vehicles	20%
Furniture and equipment	20%
Leasehold improvement	20-100%

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs, such as repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Construction in progress represents property, plant and equipment under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.6 Financial assets

Financial assets are classified into loans and receivables.

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

At each reporting date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

Impairment of financial assets

At each reporting date, financial assets are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

- Significant financial difficulty of the debtor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- It becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

- Significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- The disappearance of an active market for that financial asset because of financial difficulties.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

If any such evidence exists, the impairment loss is measured and recognised as follows:

Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

Financial assets carried at cost

For financial assets carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the financial assets and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. The amount of the impairment losses is recognised in profit or loss of the period in which the impairment occurs and not reversed in subsequent periods.

Impairment losses on financial assets other than financial assets at fair value through profit or loss and trade receivables that are stated at amortised cost, are written off against the corresponding assets directly. Where the recovery of trade receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of trade receivables is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in

the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

2.7 Inventories

Inventories are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses. Cost is calculated using the weighted average method.

2.8 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of the statement of cash flows presentation, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

2.9 Financial liabilities

The Group's financial liabilities include bank borrowings and trade and other payables.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

2.10 Share capital

Ordinary shares are classified as equity.

2.11 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

2.12 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sales of goods and the use by others of the Group's assets yielding interest. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

Sales of goods are recognised upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods.

Interest income is recognised on a time-proportion basis using the effective interest method.

2.13 Impairment of non-financial assets

The Group's property, plant and equipment, prepaid land lease payments and the Company's investments in subsidiaries are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Impairment loss is charged pro rata to the other assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost of disposal, or value in use, if determinable.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.14 Employee benefits

Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute certain percentage of its payroll costs to the central pension scheme.

Contributions are recognised as an expense in the profit or loss as employees render services during the Track Record Period. The Group's obligation under these plans is limited to the fixed percentage contributions payable.

Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

Share-based employee compensation

The fair value of share options or other equity instruments granted to employees is recognised as an employee cost with a corresponding increase in a reserve within equity. The fair value is measured at grant date, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options or other equity instruments, the total estimated fair value of the options or equity instruments is spread over the vesting period, taking into account the probability that the options or equity instruments will vest.

During the vesting period, the number of share options or equity instruments that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year/period of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options/equity instruments that vest (with a corresponding adjustment to the reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the reserve until either the option is exercised / the equity instrument is issued (when it is included in the amount recognised in share capital for the shares issued) or the option/equity instrument expires (when it is released directly to retained profits).

2.15 Borrowing costs

Borrowing costs incurred, net of any investment income earned on the temporary investment of the specific borrowings, for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

2.16 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the Track Record Period. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

Current tax assets and current tax liabilities are presented in net if, and only if,

- (a) the Group has the legally enforceable right to set off the recognised amounts; and
- (b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

- (a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - (i) the same taxable entity; or
 - (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.17 Related parties

For the purposes of this Financial Information, a party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and if that person:
 - (i) has control or joint control over of the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group.
- (b) the party is an entity and if any of the following conditions applies:
 - (i) the entity and the Group are members of the same group.
 - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) the entity and the Group are joint ventures of the same third party.
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (vi) the entity is controlled or jointly controlled by a person identified in (a).

- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2.18 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the most senior executive management for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the most senior executive management are determined following the Group's major product lines.

The Group has identified the following reportable segments:

- (a) Wigs
- (b) Clothing and others (including cosplay costumes, sexy lingerie and others)

Each of these operating segments is managed separately as each of the product and service lines requires different resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Group's Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements apart from those involving estimations, which have the most significant effect on the amounts recognised in the Financial Information.

Income taxes

Significant judgements on the future tax treatment of certain transactions are required in determining income tax provisions. The Group carefully evaluates tax implications of transactions and tax provisions are recorded accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period during the Track Record Period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of property, plant and equipment and prepaid land lease payments

Items of property, plant and equipment (note 13) and prepaid land lease payments (note 12) are tested for impairment if there is any indication that the carrying value of these assets may not be recoverable and the assets are subject to an impairment loss. This process requires management's estimate of future cash flows generated by each asset or group of assets. For any instance where this evaluation process indicates impairment, the relevant asset's carrying amount is written down to the recoverable amount and the amount of the write-down is charged against the combined statement of profit or loss and other comprehensive income. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

Net realisable value of inventories

Net realisable value of inventories (note 15) is based on estimated selling price less any estimated costs to be incurred to completion and disposal with reference to prevailing market information. These estimates are based on the current market condition and the historical experience in selling goods of similar nature. It could change significantly as a result of changes in market conditions. The Group reassesses the estimation at the end of each reporting period.

Impairment of trade receivables

The Group maintains an allowance for the estimated loss arising from the inability of its customers to make the required payments. The Group makes its estimates based on the ageing of its trade receivable balances, customers' creditworthiness, and historical write-off experience. If the financial condition of its customers was to deteriorate so that the actual impairment loss might be higher than expected, the Group would be required to revise the basis of making the allowance.

4. REVENUE AND SEGMENT REPORTING**4.1 Revenue**

The Group's principal activities are disclosed in note 1 to the Financial Information. Revenue of the Group is the revenue from these activities.

The Group's major products are cosplay costumes, cosplay wigs and sexy lingerie. Information of revenue, costs of sales and gross profit by product are as follows:

	Year ended 31 December			Three months ended	
	2012	2013	2014	31 March	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(unaudited)</i>	
Revenue					
Cosplay wigs	110,370	133,924	179,755	23,745	39,123
Cosplay costumes	106,507	138,658	181,128	23,480	54,037
Sexy lingerie	28,199	24,475	36,934	2,803	3,601
Others (<i>note</i>)	749	1,695	106	—	632
	<u>245,825</u>	<u>298,752</u>	<u>397,923</u>	<u>50,028</u>	<u>97,393</u>
Costs of sales					
Cosplay wigs	82,712	99,186	130,405	17,761	28,529
Cosplay costumes	78,222	100,695	130,198	17,268	38,724
Sexy lingerie	20,558	17,824	26,453	2,137	2,656
Others (<i>note</i>)	574	1,267	85	—	510
	<u>182,066</u>	<u>218,972</u>	<u>287,141</u>	<u>37,166</u>	<u>70,419</u>
Gross profit					
Cosplay wigs	27,658	34,738	49,350	5,984	10,594
Cosplay costumes	28,285	37,963	50,930	6,212	15,313
Sexy lingerie	7,641	6,651	10,481	666	945
Others (<i>note</i>)	175	428	21	—	122
	<u>63,759</u>	<u>79,780</u>	<u>110,782</u>	<u>12,862</u>	<u>26,974</u>

Note: Others mainly include accessories, like hair pieces, eyelashes and cosmetic jewelries etc.

4.2 Segment information

The Group is primarily engaged in the design, development, production, sales and marketing of cosplay products (including cosplay costumes and cosplay wigs) and sexy lingerie. Management has determined two product lines as operating and reportable segments based on the reports reviewed by the chief operating decision makers, who have been identified as the executive directors of the Company. The Group's operating and reportable segments currently are manufacture and sales of (i) wigs and (ii) clothing and others.

Segment results represented operating results of each reportable segment without allocation of finance costs, interest income, unallocated other operating income, unallocated corporate expenses, and taxation. All assets are allocated to reportable segments other than cash and cash equivalents and other corporate assets which are not directly attributable to the business activities of any reportable segments. All liabilities are allocated to reportable segments other than corporate liabilities which are not directly attributable to the business activities of any reportable segments.

The following is an analysis of the Group's revenue and results by operating and reportable segments:

	Year ended 31 December 2012		
	Wigs	Clothing	Total
	<i>RMB'000</i>	<i>and others</i> <i>RMB'000</i>	<i>RMB'000</i>
Revenue from external customers	<u>110,370</u>	<u>135,455</u>	<u>245,825</u>
Segment results	24,694	31,803	56,497
Finance costs			(2,011)
Interest income			127
Unallocated income			721
Unallocated expenses			<u>(15,340)</u>
Profit before income tax			39,994
Income tax expense			<u>(10,200)</u>
Profit for the year			<u>29,794</u>
Other segment items			
Depreciation and amortisation	952	1,319	2,271
Capital expenditure	<u>124</u>	<u>1,938</u>	<u>2,062</u>

	Year ended 31 December 2013		
	Clothing		Total
	Wigs	and others	
	RMB'000	RMB'000	RMB'000
Revenue from external customers	<u>133,924</u>	<u>164,828</u>	<u>298,752</u>
Segment results	31,119	39,637	70,756
Finance costs			(1,400)
Interest income			161
Unallocated income			430
Unallocated expenses			<u>(20,043)</u>
Profit before income tax			49,904
Income tax expense			<u>(12,702)</u>
Profit for the year			<u>37,202</u>
Other segment items			
Depreciation and amortisation	1,068	1,402	2,470
Capital expenditure	<u>7,439</u>	<u>9,877</u>	<u>17,316</u>
	Year ended 31 December 2014		
	Clothing		Total
	Wigs	and others	
	RMB'000	RMB'000	RMB'000
Revenue from external customers	<u>179,755</u>	<u>218,168</u>	<u>397,923</u>
Segment results	44,854	54,549	99,403
Finance costs			(2,067)
Interest income			241
Unallocated income			880
Unallocated expenses			<u>(20,187)</u>
Profit before income tax			78,270
Income tax expense			<u>(19,690)</u>
Profit for the year			<u>58,580</u>
Other segment items			
Depreciation and amortisation	1,496	1,399	2,895
Capital expenditure	<u>14,712</u>	<u>84,939</u>	<u>99,651</u>

	Three months ended 31 March 2015		
	Wigs <i>RMB'000</i>	Clothing and others <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue from external customers	<u>39,123</u>	<u>58,270</u>	<u>97,393</u>
Segment results	9,275	14,701	23,976
Finance costs			(788)
Interest income			46
Unallocated income			1,394
Unallocated expenses			<u>(7,457)</u>
Profit before income tax			17,171
Income tax expense			<u>(4,548)</u>
Profit for the year			<u>12,623</u>
Other segment items			
Depreciation and amortisation	622	656	1,278
Capital expenditure	<u>130</u>	<u>16,535</u>	<u>16,665</u>
	Three months ended 31 March 2014 (unaudited)		
	Wigs <i>RMB'000</i>	Clothing and others <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue from external customers	<u>23,745</u>	<u>26,283</u>	<u>50,028</u>
Segment results	5,070	5,820	10,890
Finance costs			(371)
Interest income			46
Unallocated income			51
Unallocated expenses			<u>(4,427)</u>
Profit before income tax			6,189
Income tax expense			<u>(1,829)</u>
Profit for the year			<u>4,360</u>
Other segment items			
Depreciation and amortisation	299	363	662
Capital expenditure	<u>3,500</u>	<u>3,587</u>	<u>7,087</u>

	As at 31 December 2012			
	Clothing			Total
	Wigs	and others	Unallocated	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Reportable segment assets	<u>29,910</u>	<u>35,878</u>	<u>40,382</u>	<u>106,170</u>
Reportable segment liabilities	<u>9,049</u>	<u>13,984</u>	<u>16,707</u>	<u>39,740</u>
	As at 31 December 2013			
	Clothing			Total
	Wigs	and others	Unallocated	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Reportable segment assets	<u>36,146</u>	<u>46,594</u>	<u>52,240</u>	<u>134,980</u>
Reportable segment liabilities	<u>7,433</u>	<u>7,311</u>	<u>26,160</u>	<u>40,904</u>
	As at 31 December 2014			
	Clothing			Total
	Wigs	and others	Unallocated	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Reportable segment assets	<u>87,127</u>	<u>97,290</u>	<u>52,639</u>	<u>237,056</u>
Reportable segment liabilities	<u>4,486</u>	<u>10,509</u>	<u>69,331</u>	<u>84,326</u>
	As at 31 March 2015			
	Clothing			Total
	Wigs	and others	Unallocated	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Reportable segment assets	<u>89,960</u>	<u>108,007</u>	<u>52,762</u>	<u>250,729</u>
Reportable segment liabilities	<u>7,073</u>	<u>13,569</u>	<u>64,733</u>	<u>85,375</u>

Geographical information

Information about the Group's revenue by geographical locations presented based on the area or country in which the external customer is operated.

	Year ended 31 December			Three months ended	
	2012	2013	2014	31 March 2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(unaudited)</i>	
PRC (place of domicile)	<u>8,322</u>	<u>4,994</u>	<u>6,404</u>	<u>1,683</u>	<u>3,033</u>
United States	91,053	120,623	154,895	14,299	43,524
Germany	22,481	26,450	41,900	2,164	5,471
United Kingdom	18,405	20,313	35,183	5,792	8,291
Australia	20,091	26,561	31,340	4,949	9,966
Holland	11,364	16,447	26,475	4,017	4,849
Japan	9,517	12,542	16,278	853	1,307
Brazil	10,027	12,989	14,603	5,056	3,383
Israel	10,652	12,957	13,199	2,119	5,392
France	10,206	5,142	5,510	697	2,685
Other	<u>33,707</u>	<u>39,734</u>	<u>52,136</u>	<u>8,399</u>	<u>9,492</u>
	<u>237,503</u>	<u>293,758</u>	<u>391,519</u>	<u>48,345</u>	<u>94,360</u>
	<u>245,825</u>	<u>298,752</u>	<u>397,923</u>	<u>50,028</u>	<u>97,393</u>

The Group's non-current assets are all located in the PRC.

Information about major customers

Other than a customer contribute 11% of the Group's revenue for the three months ended 31 March 2015, no other customers contribute over 10% of revenue to the Group during the year ended 31 December 2012, 2013 and 2014 and the three months ended 31 March 2014 and 2015.

5. OTHER INCOME

	Three months ended				
	Year ended 31 December			31 March	
	2012	2013	2014	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
					<i>(Unaudited)</i>
Exchange gain	—	—	279	—	1,230
Interest income	127	161	241	46	46
Others	<u>721</u>	<u>430</u>	<u>601</u>	<u>51</u>	<u>164</u>
	<u>848</u>	<u>591</u>	<u>1,121</u>	<u>97</u>	<u>1,440</u>

6. FINANCE COSTS

	Three months ended				
	Year ended 31 December			31 March	
	2012	2013	2014	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
					<i>(Unaudited)</i>
Interest on bank loans wholly repayable within five years	<u>2,011</u>	<u>1,400</u>	<u>2,067</u>	<u>371</u>	<u>788</u>

7. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging/(crediting):

	Three months ended				
	Year ended 31 December			31 March	
	2012	2013	2014	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>				
Auditors' remuneration	54	33	35	—	43
Cost of inventories recognised as an expense	125,319	152,006	197,921	17,482	47,301
Depreciation	2,182	2,364	2,602	589	1,205
Amortisation of prepaid land lease payments	89	106	293	73	73
Loss on disposal of property, plant and equipment	70	39	505	—	53
Operating lease charges in respect of land and buildings	1,607	2,240	2,146	545	230
Exchange (gain)/loss	498	2,641	(279)	362	(1,230)
Gain on disposal of a subsidiary	—	—	(377)	—	—
Research and development cost	5,808	7,542	8,587	1,882	2,147
Staff costs					
- Salaries, allowances and other benefits	54,064	63,102	69,968	14,886	15,531
- Contributions to defined contribution retirement plans	5,324	6,652	8,959	1,797	2,511
- Share-based payments	444	444	74	74	—
	<u>59,832</u>	<u>70,198</u>	<u>79,001</u>	<u>16,757</u>	<u>18,042</u>

8. INCOME TAX EXPENSE

No provision for profits tax has been provided by the Company as the Company had no assessable profits subject to taxation in any jurisdiction.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the Track Record Period.

The provision for PRC enterprise income tax has been provided at the applicable tax rate of 25% on the assessable profits of the PRC subsidiaries.

	Three months ended				
	Year ended 31 December			31 March	
	2012	2013	2014	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>				
Current tax — PRC enterprise income tax					
Current year/period	<u>10,200</u>	<u>12,702</u>	<u>19,690</u>	<u>1,829</u>	<u>4,548</u>

The difference between the actual income tax charge in the combined statements of profit or loss and other comprehensive income and the amounts which would result from applying the enacted tax rate to profit before income tax can be reconciled as follows:

	Three months ended				
	Year ended 31 December			31 March	
	2012	2013	2014	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>				
Profit before income tax	<u>39,994</u>	<u>49,904</u>	<u>78,270</u>	<u>6,189</u>	<u>17,171</u>
Tax on profit before income tax, calculated at the rate of 25%	9,999	12,476	19,568	1,547	4,293
Tax effects of:					
- non-deductible expenses	201	226	122	16	121
- Unrecognised tax losses	<u>—</u>	<u>—</u>	<u>—</u>	<u>266</u>	<u>134</u>
	<u>10,200</u>	<u>12,702</u>	<u>19,690</u>	<u>1,829</u>	<u>4,548</u>

As at end of each of the Track Record Period, the Group did not have any significant unrecognised deferred tax assets or liabilities.

9. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

9.1 Directors' emoluments

	Year ended 31 December 2012					
		Salaries, allowances and benefits		Retirement scheme contributions	Share- based payments	Total
	Fees	in kind	Bonuses			
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Executive directors:						
Mr. Chen Sheng Bi	—	312	26	4	—	342
Mr. Lin Xin Fu	—	288	21	4	222	535
	—	600	47	8	222	877

	Year ended 31 December 2013					
		Salaries, allowances and benefits		Retirement scheme contributions	Share- based payments	Total
	Fees	in kind	Bonuses			
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Executive directors:						
Mr. Chen Sheng Bi	—	312	26	4	—	342
Mr. Lin Xin Fu	—	285	21	4	222	532
	—	597	47	8	222	874

	Year ended 31 December 2014					
		Salaries, allowances and benefits		Retirement scheme contributions	Share- based payments	Total
	Fees	in kind	Bonuses			
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Executive directors:						
Mr. Chen Sheng Bi	—	324	27	5	—	356
Mr. Lin Xin Fu	—	288	21	5	37	351
	—	612	48	10	37	707

Three months ended 31 March 2015

	Salaries, allowances and benefits		Bonuses	Retirement	Share-	Total
	Fees	in kind		contributions	based payments	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:						
Mr. Chen Sheng Bi	—	84	—	1	—	85
Mr. Lin Xin Fu	—	66	—	1	—	67
Non-executive director:						
Ms. Chen Sheng (note)	—	—	—	—	—	—
	—	150	—	2	—	152

Note: Ms. Chen Sheng joined the Group on 1 March 2015 and was appointed as the non-executive director of the Company on 5 May 2015.

Three months ended 31 March 2014 (Unaudited)

	Salaries, allowances and benefits		Bonuses	Retirement	Share-	Total
	Fees	in kind		contributions	based payments	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:						
Mr. Chen Sheng Bi	—	81	—	1	—	82
Mr. Lin Xin Fu	—	63	—	1	37	101
	—	144	—	2	37	183

The emoluments shown above represents emoluments received from the Group by these directors in their capacity as employees of the Group and/or in their capacity as directors of the companies comprising the Group during the Track Record Period.

9.2 Five highest paid individuals

The five highest paid individuals of the Group during the Track Record Period include two directors for each of the years ended 31 December 2012, 2013 and 2014 and three months ended 31 March 2014 and 2015, whose emoluments are disclosed in note 9.1. The aggregate of the emoluments in respect of the remaining three individuals are as follows:

	Three months ended				
	Year ended 31 December			31 March	
	2012	2013	2014	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>				
Salaries, allowances and benefits in kind	896	909	940	232	240
Bonuses	75	76	77	—	—
Retirement scheme contributions	<u>12</u>	<u>11</u>	<u>13</u>	<u>3</u>	<u>3</u>
	<u>983</u>	<u>996</u>	<u>1,030</u>	<u>235</u>	<u>243</u>

The above individuals' emoluments are within the following bands:

	Number of individuals				
	Year ended 31 December			Three months ended	
	2012	2013	2014	2014	2015
	<i>(Unaudited)</i>				
HK\$nil to HK\$1,000,000	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>

No directors or the five highest paid individuals received any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for loss of office during the Track Record Period. No directors or the five highest paid individuals have waived or agreed to waive any emoluments during the Track Record Period.

10. EARNINGS PER SHARE

Earnings per share is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the basis of presentation of the results of the Group for the Track Record Period and the three months ended 31 March 2014 as disclosed in note 1.2 above.

11. DIVIDENDS

No dividend has been paid or declared by the Company since its date of incorporation. Prior to the Reorganisation, Jiangxi Styler had declared dividends to its then equity owner as follows:

	Three months ended				
	Year ended 31 December			31 March	
	2012	2013	2014	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>				
Controlling Shareholders	12,000	20,000	—	—	—
Non-controlling shareholder	8,000	—	—	—	—
	<u>20,000</u>	<u>20,000</u>	<u>—</u>	<u>—</u>	<u>—</u>

The rate of dividend and number of shares ranking for dividend are not presented as such information is not meaningful having regard to the purpose of this report.

12. PREPAID LAND LEASE PAYMENTS

	31 December			31 March
	2012	2013	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Carrying amount at the beginning of the year/period	3,838	3,749	13,855	13,562
Additions	—	10,212	—	—
Amortised during the year/period	<u>(89)</u>	<u>(106)</u>	<u>(293)</u>	<u>(73)</u>
Carrying amount at the end of the year/period	<u>3,749</u>	<u>13,855</u>	<u>13,562</u>	<u>13,489</u>
Represented by:				
Non-current portion	3,660	13,562	13,269	13,196
Current portion	<u>89</u>	<u>293</u>	<u>293</u>	<u>293</u>
	<u>3,749</u>	<u>13,855</u>	<u>13,562</u>	<u>13,489</u>

The leasehold land is situated in the PRC and is held under a medium term lease.

As at 31 December 2012, 2013 and 2014 and 31 March 2015, the Group's prepaid land lease payments amounting to nil, RMB2,144,000, RMB12,736,000 and RMB12,668,000 were pledged to secure bank borrowings (note 19).

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machineries	Motor vehicles	Furniture and equipment	Leasehold improvement	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cost							
As at 1 January 2012	17,975	12,055	987	1,650	1,800	—	34,467
Additions	—	1,677	260	125	—	—	2,062
Disposal	—	(138)	—	(41)	—	—	(179)
As at 31 December 2012	<u>17,975</u>	<u>13,594</u>	<u>1,247</u>	<u>1,734</u>	<u>1,800</u>	<u>—</u>	<u>36,350</u>
As at 1 January 2013	17,975	13,594	1,247	1,734	1,800	—	36,350
Additions	—	294	531	110	—	6,169	7,104
Disposal	—	(133)	—	(13)	—	—	(146)
As at 31 December 2013	<u>17,975</u>	<u>13,755</u>	<u>1,778</u>	<u>1,831</u>	<u>1,800</u>	<u>6,169</u>	<u>43,308</u>
As at 1 January 2014	17,975	13,755	1,778	1,831	1,800	6,169	43,308
Additions	—	408	504	712	—	98,027	99,651
Transfer	24,258	—	—	—	7,946	(32,204)	—
Disposal of a subsidiary (note 26)	—	—	—	(7)	—	—	(7)
Disposal	—	(905)	(38)	(96)	—	—	(1,039)
As at 31 December 2014	<u>42,233</u>	<u>13,258</u>	<u>2,244</u>	<u>2,440</u>	<u>9,746</u>	<u>71,992</u>	<u>141,913</u>
As at 1 January 2015	42,233	13,258	2,244	2,440	9,746	71,992	141,913
Additions	—	1,105	138	46	—	15,376	16,665
Transfer	—	1,426	—	—	—	(1,426)	—
Disposal	—	(61)	—	(43)	—	—	(104)
As at 31 March 2015	<u>42,233</u>	<u>15,728</u>	<u>2,382</u>	<u>2,443</u>	<u>9,746</u>	<u>85,942</u>	<u>158,474</u>

	Buildings	Plant and machineries	Motor vehicles	Furniture and equipment	Leasehold improvement	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Accumulated depreciation							
As at 1 January 2012	544	1,724	236	706	1,800	—	5,010
Charge for the year	487	1,172	222	301	—	—	2,182
Written back on disposal	—	(54)	—	(28)	—	—	(82)
As at 31 December 2012	<u>1,031</u>	<u>2,842</u>	<u>458</u>	<u>979</u>	<u>1,800</u>	<u>—</u>	<u>7,110</u>
As at 1 January 2013	1,031	2,842	458	979	1,800	—	7,110
Charge for the year	487	1,303	252	322	—	—	2,364
Written back on disposal	—	(63)	—	(9)	—	—	(72)
As at 31 December 2013	<u>1,518</u>	<u>4,082</u>	<u>710</u>	<u>1,292</u>	<u>1,800</u>	<u>—</u>	<u>9,402</u>
As at 1 January 2014	1,518	4,082	710	1,292	1,800	—	9,402
Charge for the year	516	1,296	354	220	216	—	2,602
Disposal of a subsidiary (note 26)	—	—	—	(5)	—	—	(5)
Written back on disposal	—	(359)	(36)	(82)	—	—	(477)
As at 31 December 2014	<u>2,034</u>	<u>5,019</u>	<u>1,028</u>	<u>1,425</u>	<u>2,016</u>	<u>—</u>	<u>11,522</u>
As at 1 January 2015	2,034	5,019	1,028	1,425	2,016	—	11,522
Charge for the period	304	334	95	75	397	—	1,205
Written back on disposal	—	(15)	—	(27)	—	—	(42)
As at 31 March 2015	<u>2,338</u>	<u>5,338</u>	<u>1,123</u>	<u>1,473</u>	<u>2,413</u>	<u>—</u>	<u>12,685</u>
Net book amount							
As at 1 January 2012	<u>17,431</u>	<u>10,331</u>	<u>751</u>	<u>944</u>	<u>—</u>	<u>—</u>	<u>29,457</u>
As at 31 December 2012	<u>16,944</u>	<u>10,752</u>	<u>789</u>	<u>755</u>	<u>—</u>	<u>—</u>	<u>29,240</u>
As at 31 December 2013	<u>16,457</u>	<u>9,673</u>	<u>1,068</u>	<u>539</u>	<u>—</u>	<u>6,169</u>	<u>33,906</u>
As at 31 December 2014	<u>40,199</u>	<u>8,239</u>	<u>1,216</u>	<u>1,015</u>	<u>7,730</u>	<u>71,992</u>	<u>130,391</u>
As at 31 March 2015	<u>39,895</u>	<u>10,390</u>	<u>1,259</u>	<u>970</u>	<u>7,333</u>	<u>85,942</u>	<u>145,789</u>

As at 31 December 2012, 2013 and 2014 and 31 March 2015, the Group's buildings amounting to RMB11,059,000, RMB14,178,000, RMB15,685,000 and RMB15,566,000 were pledged to the banks to secure the bank borrowings granted to the Group (note 19).

14. INVESTMENTS IN SUBSIDIARIES

The Company
As at
31 March 2015
RMB'000

Unlisted shares, at cost	—
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Details of the subsidiaries are set out in note 1.1 of Section II of the Financial Information.

15. INVENTORIES

	As at 31 December			As at
	2012	2013	2014	31 March
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials	14,477	25,285	20,076	16,284
Work in progress	503	92	419	1,548
Finished goods	<u>13,197</u>	<u>3,674</u>	<u>3,544</u>	<u>3,377</u>
	<u>28,177</u>	<u>29,051</u>	<u>24,039</u>	<u>21,209</u>

16. TRADE AND OTHER RECEIVABLES

	As at 31 December			As at
	2012	2013	2014	31 March
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables				
- from third parties	<u>4,453</u>	<u>5,930</u>	<u>14,416</u>	<u>14,105</u>
Deposits, prepayments and other receivables				
Prepayments	581	173	574	3,190
Prepayments for construction materials	—	—	1,643	959
Prepaid rental	2,342	2,365	218	—
Other tax receivables	4,204	4,844	4,753	7,338
Deposits	—	1,980	1,980	1,980
Other receivables	<u>741</u>	<u>669</u>	<u>672</u>	<u>1,086</u>
	<u>7,868</u>	<u>10,031</u>	<u>9,840</u>	<u>14,553</u>
	<u>12,321</u>	<u>15,961</u>	<u>24,256</u>	<u>28,658</u>

The directors of the Group consider that the fair values of trade and other receivables are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

The Group usually requires advance deposits from its customers. Before accepting any new customer, the Group applied an internal credit assessment policy to assess the potential customer's credit quality. The credit period is generally for a period of 30 days. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables at the end of each of the Track Record Period, based on the invoice date and net of impairment, is as follows:

	As at 31 December			As at
	2012	2013	2014	31 March
	RMB'000	RMB'000	RMB'000	2015
				RMB'000
0-30 days	3,334	5,892	12,834	13,790
31-60 days	68	—	1,582	305
61-90 days	13	—	—	—
91-365 days	—	—	—	10
Over 365 days	<u>1,038</u>	<u>38</u>	<u>—</u>	<u>—</u>
	<u>4,453</u>	<u>5,930</u>	<u>14,416</u>	<u>14,105</u>

As at 31 December 2012, 2013 and 2014 and 31 March 2015, no trade receivables were individually determined to be impaired, respectively.

The ageing analysis of trade receivables at the end of the Track Record Period that are not individually nor collectively considered to be impaired is as follows:

	As at 31 December			As at
	2012	2013	2014	31 March
	RMB'000	RMB'000	RMB'000	2015
				RMB'000
Neither past due nor impaired	3,334	5,892	12,834	13,790
1-30 days past due	68	—	1,582	305
31-60 days past due	13	—	—	—
61-90 days past due	—	—	—	—
Over 90 days past due	<u>1,038</u>	<u>38</u>	<u>—</u>	<u>10</u>
	<u>4,453</u>	<u>5,930</u>	<u>14,416</u>	<u>14,105</u>

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

17. CASH AND CASH EQUIVALENTS

	As at 31 December			As at
	2012	2013	2014	31 March
	RMB'000	RMB'000	RMB'000	2015
Bank balances and cash	<u>32,683</u>	<u>42,207</u>	<u>44,808</u>	<u>41,584</u>

Included in bank balances and cash of the Group of approximately RMB32,036,000, RMB40,971,000, RMB41,320,000 and RMB40,044,000 as at 31 December 2012, 2013, 2014 and 31 March 2015 respectively are bank balances denominated in RMB placed with banks in the PRC. RMB is not a freely convertible currency. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business. Cash at banks earns interest at floating rates based on daily bank deposit rates.

18. TRADE AND OTHER PAYABLES

	As at 31 December			As at
	2012	2013	2014	31 March
	RMB'000	RMB'000	RMB'000	2015
Trade and bills payables				
- to third parties	<u>6,848</u>	<u>7,027</u>	<u>7,187</u>	<u>13,530</u>
Accrued charges and other payables				
- Deposits from customers	10,225	2,607	1,870	938
- Salaries payable	5,990	5,125	5,938	6,174
- Other tax payables	406	593	513	1,417
- Other payables	1,111	184	380	1,074
- Amount due to a shareholder (<i>note</i>)	<u>—</u>	<u>—</u>	<u>—</u>	<u>897</u>
	<u>17,732</u>	<u>8,509</u>	<u>8,701</u>	<u>10,500</u>
	<u>24,580</u>	<u>15,536</u>	<u>15,888</u>	<u>24,030</u>

Note: Amount due to a shareholder is unsecured, interest free and without fixed repayment terms. The amount due of RMB897,000 has been settled subsequently.

The Group was granted by its suppliers credit periods ranging from 15 to 60 days. An aged analysis of the trade payables at the end of the Track Record Period, based on the invoice date, is as follows:

	As at 31 December			As at
	2012	2013	2014	31 March
	RMB'000	RMB'000	RMB'000	2015
0-30 days	6,848	7,027	7,187	13,455
31-60 days	—	—	—	75
	<u>6,848</u>	<u>7,027</u>	<u>7,187</u>	<u>13,530</u>

All amounts are short term and hence the carrying values of trade and other payables are considered to be a reasonable approximation of their fair value.

19. SHORT TERM BORROWINGS

	As at 31 December			As at
	2012	2013	2014	31 March
	RMB'000	RMB'000	RMB'000	2015
Bank loan, secured	<u>12,407</u>	<u>22,000</u>	<u>64,677</u>	<u>57,528</u>

As at 31 December 2012, 2013 and 2014 and 31 March 2015, bank loans bear interest from 8.20%, 6.60% to 7.20%, 4.35% to 8.40% and 6.60% to 8.40% per annum respectively.

The bank loans were secured by certain assets of the Group (notes 12 and 13) for each of the reporting period and also personal guarantees given by Mr. Chen Sheng Guan and Mr. Chen Sheng Bi and an independent third party as at 31 December 2014 and 31 March 2015.

20. SHARE CAPITAL

	The Company	
	<i>No. of shares</i>	<i>RMB'000</i>
Authorised:		
5,000,000 shares of US\$0.01 each	<u>5,000,000</u>	<u>307</u>
Issued and fully paid:		
Upon incorporation	1	—
Issuance of share capital	<u>9,999</u>	<u>1</u>
As at 31 March 2015	<u>10,000</u>	<u>1</u>

The Company is a limited liability company incorporated in the Cayman Islands on 12 February 2015 with authorised share capital of US\$50,000 divided into 5,000,000 shares of a par value of US\$0.01 each.

On incorporation, 1 share of US\$0.01 was allotted as fully paid at par to the initial subscriber. On the same day, 9,999 shares of US\$0.01 each were issued as fully paid at par.

There was no authorised and issued capital as at 31 December 2012, 2013 and 2014 since the Company has not yet been incorporated.

21. SHARE-BASED PAYMENT TRANSACTION**Share Award Scheme of Jiangxi Styler**

On 28 February 2011, the Controlling Shareholders granted awards to certain employees of the Group to acquire equity interests in the group business using the nominal value of the paid up capital. The awards had a vesting period of 3 years and an exercisable period of 1 year. The vesting period ended on 28 February 2014. On 3 December 2014, the employees acquired the equity interests in the group business via equity interest in Jiangxi Styler by exercising the share awards. The share awards represented approximately 10% of the existing paid up capital of Jiangxi Styler. The relevant 10% equity interest of Jiangxi Styler was transferred by the Controlling Shareholders with their own interests in Jiangxi Styler to the employees, adjustments are made to the amounts of controlling interest within combined equity to reflect the change in relative interests.

The fair value of the shares award of RMB1,332,000 on the grant date of 28 February 2011 is measured by reference to a valuation carried out by professional valuer. The key assumptions used for calculation are as follows:

Average revenue growth rate	2.2%
Discount rate	11.94%

The underlying expected volatility was determined by reference to historical data, calculated based on expected life of share options. Expectations of early exercise were incorporated into the Black-Scholes option pricing model. No special features pertinent to the options granted were incorporated into measurement of fair value.

The relevant employee compensation expense recognised in profit or loss for the years ended 31 December 2012, 2013 and 2014 and the three months ended 31 March 2015 amounted to RMB444,000, RMB444,000, RMB74,000, and nil respectively.

22. RESERVES

(a) The Group

The amounts of the Group's reserves and the movements therein for the Track Record Period are presented in the combined statements of changes in equity of the Financial Information.

Statutory surplus reserve

In accordance with the Company Law of the PRC, each of the subsidiaries of the Company that was registered in the PRC is required to appropriate 10% of the annual statutory profit after tax (after offsetting any prior years' losses), determined in accordance with the PRC GAAP, to the statutory reserve until the balance of the reserve funds reaches 50% of the entity's registered capital. The statutory reserve can be utilised to offset prior years' losses or to increase capital, provided the remaining balance of the statutory reserve is not less than 25% of the registered capital.

Capital reserve

The capital reserve of the Group as at 31 December 2012, 2013 and 2014 and 31 March 2015 represents the share capital of entities comprising the Group throughout the Track Record Period and the reserves arising from the Reorganisation.

Share-based payments reserve

The share-based payments reserve of the Group represents the fair value at the grant date of shares award (note 21) granted to employees of the Group that has been recognised in accordance with the accounting policy adopted for share-based payments in note 2.14 which are fully exercised on 3 December 2014.

Non-controlling interests

During the Track Record Period, the only material non-controlling interests is relating to Jiangxi Styler which is the holding company of the entities that comprising the Group throughout the Track Record Period. Hence the financial information of Jiangxi Styler has already been presented in section I to the Financial Information.

(b) The Company

The combined profit attributable to equity holders of the Company includes a profit of nil, nil, nil and nil for the years ended 31 December 2012, 2013 and 2014 and the three months ended 31 March 2015 respectively which has been dealt with in the financial statements of the Company.

As at 31 March 2015, the aggregate amount of reserves available for distribution to the shareholders of the Company was nil.

23. OPERATING LEASE COMMITMENTS**The Group**

At the reporting date, the total future minimum lease payments payable by the Group under non-cancellable operating leases are as follows:

	As at 31 December			As at
	2012	2013	2014	31 March
	RMB'000	RMB'000	RMB'000	2015
				RMB'000
Land and buildings:				
Within one year	<u>104</u>	<u>102</u>	<u>218</u>	<u>—</u>

The Group leased a number of properties under operating lease. The leases run for an initial period within 1 year, with an option to renew the lease and renegotiate the terms at the expiry date or at date as mutually agreed between respective landlords and the Group. None of the leases include contingent rentals.

The Company

As at 31 March 2015, the Company did not have any operating lease commitment.

24. CAPITAL COMMITMENTS

The Group

	As at 31 December			As at
	2012	2013	2014	31 March
	RMB'000	RMB'000	RMB'000	2015
				RMB'000
Contracted but not provided for				
- Property, plant and equipment	—	16,160	80,076	66,576

The Company

As at 31 March 2015, the Company did not have any capital commitment.

25. RELATED PARTY TRANSACTIONS

The Group had the following transactions with related parties:

(i) Compensation of key management personnel

	Year ended 31 December			Three months ended	
	2012	2013	2014	31 March	
	RMB'000	RMB'000	RMB'000	2014	2015
				RMB'000	RMB'000
				<i>(Unaudited)</i>	
Short term employee benefits	985	982	1,011	225	242
Retirement scheme contributions	12	12	15	3	3
Share-based payments	222	222	37	37	—
	<u>1,219</u>	<u>1,216</u>	<u>1,063</u>	<u>265</u>	<u>245</u>

26. DISPOSAL OF SUBSIDIARIES

- (i) During the year ended 31 December 2013, a subsidiary of the Group, Jiangxi Chunchao, was deregistered. The subsidiary was inactive during the Track Record Period and the deregistration had no material impact on the results of the Group.
- (ii) During the year ended 31 December 2013, a subsidiary of the Group, Anhui Chunchao, was disposed. The subsidiary was inactive during the Track Record Period and the disposal had no material impact on the results of the Group.
- (iii) During the year ended 31 December 2014, a subsidiary of the Group, Styler Trading, was disposed to third parties.

Details of the disposal are as follows:

	<i>RMB'000</i>
Property, plant and equipment	2
Trade and other receivables	1,728
Trade and other payables	<u>(222)</u>
Net assets disposed of	1,508
Consideration received	<u>(1,885)</u>
Gain on disposal	<u><u>377</u></u>
Net cash inflow on disposal of a subsidiary	
Consideration received in cash and cash equivalents	<u><u>1,885</u></u>

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

27.1 Categories of financial assets and liabilities

The Group

	As at 31 December			As at 31 March
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Loans and receivables:				
Trade and other receivables	5,194	8,579	17,068	17,171
Bank balances and cash	<u>32,683</u>	<u>42,207</u>	<u>44,808</u>	<u>41,584</u>
	<u>37,877</u>	<u>50,786</u>	<u>61,876</u>	<u>58,755</u>
Financial liabilities				
Measured at amortised cost:				
Trade and other payables	13,949	12,336	13,505	21,675
Borrowings	<u>12,407</u>	<u>22,000</u>	<u>64,677</u>	<u>57,528</u>
	<u>26,356</u>	<u>34,336</u>	<u>78,182</u>	<u>79,203</u>

The Company

	As at 31 March 2015 RMB'000
Financial assets	
Loans and receivables:	
Other receivables	<u>1</u>

27.2 Foreign currency risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposures to currency risk arise from its sales to and purchases from overseas, which are primarily denominated in United States Dollars ("USD") and Euro ("EUR"). These are not the functional currencies of the Group entities to which these transactions relate.

Foreign currency denominated financial assets and liabilities, translated into RMB at the closing rates, are as follows:

The Group

	As at 31 December			As at
	2012	2013	2014	31 March
	RMB'000	RMB'000	RMB'000	RMB'000
Assets:				
USD	12,961	16,470	17,575	14,209
EUR	<u>1,849</u>	<u>1,849</u>	<u>—</u>	<u>—</u>
	<u>14,810</u>	<u>18,319</u>	<u>17,575</u>	<u>14,209</u>
Liabilities:				
USD	<u>3,407</u>	<u>—</u>	<u>5,507</u>	<u>5,528</u>
Net exposures				
USD	9,554	16,470	12,068	8,681
EUR	<u>1,849</u>	<u>1,849</u>	<u>—</u>	<u>—</u>

The following table illustrates the sensitivity of the Group's profit after income tax for the Track Record Period and equity as at 31 December 2012, 2013 and 2014 and 31 March 2015 in regard to an appreciation in the foreign currencies against the Group's functional currencies. These sensitivity rates represent management's best assessment of the possible change in foreign exchange rates.

	Sensitivity rate	Increase in profit for the year/period and equity as at			
		31 December		31 March	
		2012	2013	2014	2015
		RMB'000	RMB'000	RMB'000	RMB'000
USD	5%	358	618	453	326
EUR	5%	<u>69</u>	<u>69</u>	<u>—</u>	<u>—</u>
		<u>427</u>	<u>687</u>	<u>453</u>	<u>326</u>

The same percentage depreciation in the respective foreign currencies against the Group's functional currencies would have the same magnitude on the Group's profit after tax for the Track Record Period and equity as at 31 December 2012, 2013 and 2014 and 31 March 2015 but of opposite effect.

27.3 Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. Borrowings bearing variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's interest rate risk arises primarily from borrowings, which are at variable rates. As at 31 December 2012, 2013 and 2014 and 31 March 2015, balances of variable interest rate borrowings amounting to RMB9,000,000, RMB22,000,000, RMB46,000,000 and RMB46,000,000 respectively. The exposure to interest rates for the Group's short term bank deposits is considered immaterial.

The following table illustrates the sensitivity of the Group's profit after income tax for the Track Record Period and equity as at 31 December 2012, 2013 and 2014 and 31 March 2015 to a possible change in interest rates of borrowings.

	Decrease in profit for the year/period and equity as at			
	31 December			31 March
	2012	2013	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Increase by 50 basis points	<u>34</u>	<u>83</u>	<u>173</u>	<u>173</u>

The same degree of decrease in basis point would have the same magnitude on the Group's profit for the Track Record Period and equity as at 31 December 2012, 2013 and 2014 and 31 March 2015 but of opposite effect.

The assumed changes in interest rates are considered to be reasonably possible based on observation of current market conditions and represents management's assessment of a reasonably possible change in interest rate.

27.4 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations and from its investing activities.

The Group's maximum exposure to credit risk on recognised financial assets is limited to the carrying amount at the reporting date as summarised in note 27.1.

Cash and bank balances are placed at financial institutions that have sound credit rating and the Group considers the credit risk to be insignificant.

For trade and other receivables, the exposures to credit risk are monitored such that any outstanding debtors are reviewed and followed up on an ongoing basis. In the opinion of the directors, the Group has no significant concentration of credit risk arising from its ordinary course of business due to its large customer base. The Group does not hold any collateral from its debtors.

27.5 Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade and other payables and its financing obligations, and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date on when the Group can be required to pay. Where the settlement of the liability is in instalments, each instalment is allocated to the earliest period in which the Group is committed to pay.

As at 31 December 2012, 2013 and 2014 and 31 March 2015, the Group's remaining contractual maturities for its financial liabilities will be either on demand or within one year. The undiscounted amounts of these financial liabilities are not materially different from their carrying amount because of the immediate or short term maturity.

27.6 Fair value

The management considered the carrying amounts of financial assets and liabilities of the Group and of the Company are not materially different from their fair values as at 31 December 2012, 2013 and 2014 and 31 March 2015 due to short term of maturity.

28. CAPITAL MANAGEMENT

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders by pricing goods and services commensurately with the level of risk.

The Group actively and regularly reviews its capital structure and makes adjustments in light of changes in economic conditions. The Group monitors its capital structure on the basis of the debt to equity ratio. For this purpose debt is defined as borrowings. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares and raise new debt financing.

The debt to equity ratio at each reporting date was:

	As at 31 December			As at
	2012	2013	2014	31 March
	RMB'000	RMB'000	RMB'000	2015
				RMB'000
Borrowings	<u>12,407</u>	<u>22,000</u>	<u>64,677</u>	<u>57,528</u>
Total equity	<u>66,430</u>	<u>94,076</u>	<u>152,730</u>	<u>165,354</u>
Debt to equity ratio	<u>18.7%</u>	<u>23.4%</u>	<u>42.3%</u>	<u>34.8%</u>

29. EVENT AFTER THE END OF REPORTING PERIOD

On 5 May 2015, the shareholders' resolutions of the Company were passed to change the denomination of the authorised and issued share capital of the Company from USD to HKD such that the 10,000 shares of US\$0.01 of the Company were reconverted into 78,000 shares and the par value of the shares was changed to HK\$0.01 with immediate effect, and the authorised share capital of the Company was increased to HK\$15,600,000 divided into 1,560,000,000 shares of par value HK\$0.01 each.

On 13 April 2015, China Partytime entered into an equity transfer agreement with each of the Controlling Shareholders and other remaining shareholders of Jiangxi Styler, where China Partytime to acquire their respectively equity interest in Jiangxi Styler at a total consideration of RMB40,000,000, which was determined with reference to the paid up capital of Jiangxi Styler. The acquisition was completed on 11 May 2015. As a results, Jiangxi Styler became a wholly owned subsidiary of China Partytime and an indirect subsidiary of the Company.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 March 2015.

Yours faithfully,

Grant Thornton Hong Kong Limited

Certified Public Accountants

Level 12

28 Hennessy Road

Wanchai

Hong Kong

Shaw Chi Kit

Practising Certificate No.: P04834

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set forth in this appendix does not form part of the Accountants' Report on the financial information of the Group for the three years ended 31 December 2014 and the three months ended 31 March 2015 prepared by Grant Thornton Hong Kong Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I of this prospectus (the "Accountants' Report"), and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set forth in Appendix I of this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS

The following is an illustrative unaudited pro forma statement of adjusted combined net tangible assets of the Group which has been prepared in accordance with paragraph 29 of Chapter 4 of the Listing Rules for the purpose of illustrating the effect of the Global Offering on the audited combined net tangible assets of the Group attributable to equity holders of the Company as of 31 March 2015, as if the Global Offering had taken place on 31 March 2015.

The unaudited pro forma adjusted combined net tangible assets of the Group has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of the Group attributable to equity holders of the Company had the Global Offering been completed as at 31 March 2015 or at any future dates. It is prepared based on the audited combined net tangible assets of the Group attributable to equity holders of the Company as at 31 March 2015 as set out in the Accountants' Report in Appendix I to this Prospectus, and adjusted as described below.

	Audited combined net tangible assets of the Group attributable to equity holders of the Company as of 31 March 2015 RMB'000 (Note 1)	Estimated net proceeds from the Global Offering RMB'000 (Note 3)	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to equity holders of the Company RMB'000	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to equity holders of the Company per Share	
				RMB (Note 4)	HK\$ (Note 6)
<i>Based on the Offer Price of HK\$0.93 per Share</i>	<u>140,552</u>	<u>121,879</u>	<u>262,431</u>	<u>0.35</u>	<u>0.42</u>
<i>Based on the Offer Price of HK\$1.13 per Share</i>	<u>140,552</u>	<u>151,293</u>	<u>291,845</u>	<u>0.39</u>	<u>0.47</u>

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Notes:

- (1) The amount is calculated based on audited combined net assets of the Group attributable to equity holders of the Company as of 31 March 2015 amounting to approximately RMB140,552,000, extracted from the Accountants' Report of the Group set out in Appendix I to this prospectus.
- (2) The Group's buildings, construction in progress and prepaid land lease payments as of 30 June 2015 were revaluated by Jones Long LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer, and the relevant property valuation report is set out in Appendix III — Property Valuation. The net valuation surplus, representing the excess of market value of the buildings, construction in progress and prepaid land lease payments over their carrying value amounting to RMB75.2 millions, has not been included in the combined net tangible assets of the Group attributable to the equity holders of the Company as of 31 March 2015. The above adjustment does not take into account the above valuation surplus. Had the buildings, construction in progress and prepaid land lease payments been stated as such valuation, an additional depreciation of RMB978,000 per annum in respect of the revaluation surplus, before income taxes, would be charged against the combined statement of profit or loss and other comprehensive income.
- (3) The estimated net proceeds from the Global Offering are based on 187,500,000 Shares at the Offer Price of HK\$0.93 (equivalent to RMB0.77) and HK\$1.13 (equivalent to RMB0.94) per Share, being the low-end and high-end of the indicative range of the Offer Price, respectively, after deduction of the estimated underwriting fees and other related expenses expected to be incurred by the Group subsequent to 31 March 2015 and does not take into account of any Shares which may be issued upon the exercise of the Over-allotment Option.
- (4) The unaudited pro forma adjusted combined net tangible assets per Share is calculated based on 750,000,000 Shares, being the number of Shares expected to be in issue immediately following the completion of the Capitalisation Issue and the Global Offering without taking into account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option.
- (5) No adjustment has been made to the unaudited pro forma adjusted combined net tangible assets of the Group attributable to the equity holders of the Company as at 31 March 2015 to reflect any trading results or other transactions of the Group entered into subsequent to 31 March 2015.
- (6) In connection with the preparation of this unaudited pro forma statement of adjusted net tangible assets, the translation of Renminbi into Hong Kong dollars has been made at a rate of RMB0.83 to HK\$1.00.

**B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF PRO FORMA FINANCIAL INFORMATION**

The following is the text of the assurance report received from, Grant Thornton Hong Kong Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this prospectus.



30 September 2015

TO THE DIRECTORS OF CHINA PARTYTIME CULTURE HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of pro forma financial information of China Partytime Culture Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted combined net tangible assets as at 31 March 2015 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated 30 September 2015 (the “Prospectus”). The applicable criteria on the basis of which the directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-2 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the directors to illustrate the impact of the Global Offering (as defined in the Prospectus) on the Group’s financial position as at 31 March 2015 as if the Global Offering had taken place at 31 March 2015. As part of this process, information about the Group’s financial position has been extracted by the directors from the Group’s financial information for the three years ended 31 December 2014 and the three months ended 31 March 2015, on which an accountants’ report set out in Appendix I to the Prospectus has been published.

Directors’ Responsibilities for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“AG7”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements (“HKSAE”) 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in the Prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 March 2015 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related unaudited pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Grant Thornton Hong Kong Limited

Certified Public Accountants

Level 12

28 Hennessy Road

Wanchai

Hong Kong

Shaw Chi Kit

Practising Certificate No.: P04834

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this prospectus received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as at 30 June 2015 of the property interests held by the Group.



仲量聯行

Jones Lang LaSalle Corporate Appraisal and Advisory Limited
6/F Three Pacific Place 1 Queen's Road East Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Licence No: C-030171

30 September 2015

The Board of Directors
China Partytime Culture Holdings Limited
No.3 Chunchao Road
Yichun Economic & Technological Development Zone
Jiangxi Province
PRC

Dear Sirs,

In accordance with your instructions to value the property interests held by China Partytime Culture Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter together referred to as the “**Group**”) in the People’s Republic of China (the “**PRC**”), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion on the market value of the property interests as at 30 June 2015 (the “**valuation date**”).

Our valuation is carried out on a market value basis. Market value is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

Due to the nature of the buildings of the property interests of property No.1 and portion of property No.2 and the particular locations in which they are situated, there are unlikely to be relevant market comparable sales readily available. The property interests have therefore been valued by cost approach with reference to their depreciated replacement cost.

Depreciated replacement cost is defined as “the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization.” It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement (reproduction) of the improvements, less

deductions for physical deterioration and all relevant forms of obsolescence and optimization. In arriving at the value of land portion, reference has been made to the sales evidence as available in the locality. The depreciated replacement cost of the property interests is subject to adequate potential profitability of the concerned business. In our valuation, it applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.

In valuing the remaining portion of the property No.2 which was under construction as at the valuation date, we have assumed that it will be developed and completed in accordance with the latest development proposal provided to us by the Group. In arriving at our opinion of value, we have taken into account the construction cost and professional fees relevant to the stage of construction as at the date of valuation and the remainder of the cost and fees to be expended to complete the development.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their value.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by the Stock Exchange of Hong Kong Limited; the RICS Valuation — Professional Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors, and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of title documents including State-owned Land Use Right Certificates, Building Ownership Certificates and other title documents relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal advisers — Tian Yuan Law Firm, concerning the validity of the property interests in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no unexpected cost and delay will be incurred during construction. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

The site inspection was carried out on 30 March 2015 and 31 March 2015 by Mr. Joseph Zhou and Ms. Kathy Wu. Mr. Joseph Zhou has 12 years' experience and Ms. Kathy Wu has 1 year's experience in the valuation of properties in the PRC respectively.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our valuation is summarized below and the valuation certificates are attached.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited
Eddie T. W. Yiu
MRICS MHKIS RPS (GP)
Director

Note: Eddie T.W. Yiu is a Chartered Surveyor who has 21 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

SUMMARY OF VALUES

Property interests held and occupied by the Group in the PRC

No. Property	Market value in existing state as at 30 June 2015 RMB
1. 4 parcels of land, 12 buildings and various structures located at No.3 Chunchao Road, Yichun Economic & Technological Development Zone, Yichun City, Jiangxi Province, the PRC	84,288,000
	Market value in existing state as at 30 June 2015 RMB
2. A parcel of land, 4 buildings and a building under construction located at No.251, 253 Huachuan North Road, Chi'an Town, Yiwu City, Zhejiang Province, the PRC	139,294,000
Total:	223,582,000

VALUATION CERTIFICATE

Property interests held and occupied by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2015 RMB
1.	4 parcels of land, 12 buildings and various structures located at No.3 Chunchao Road, Yichun Economic & Technological Development Zone Yichun City Jiangxi Province the PRC	<p>The property comprises 4 parcels of land with a total site area of approximately 81,169.20 sq.m. and 12 buildings and various structures erected thereon which were completed in various stages between 2006 and 2014. The property is located in the Yichun Economic and Technological Development Zone which is an industrial area surrounded by factories, research and development centres, etc.</p> <p>The buildings mainly include industrial workshops, warehouses, administration building, dormitory buildings and ancillary buildings with a total gross floor area of approximately 39,870.48 sq.m.</p> <p>The land use rights of the property have been granted for terms expiring on 25 March 2055 for industrial use.</p>	The property was occupied by the Group for production, office and ancillary purposes as at the valuation date.	84,288,000

Notes:

- Pursuant to 4 State-owned Land Use Rights Certificates — Yi Chun Guo Yong (2008) Di Nos. 11010089, 11010090, 11010091 and 11010092, the land use rights of 4 parcels of land with a total site area of approximately 81,169.20 sq.m. have been granted to Jiangxi Styler Industrial Co., Ltd (“Jiangxi Styler”), an indirect wholly owned subsidiary of the Company, for terms expiring on 25 March 2055 for industrial use.
- Pursuant to 12 Building Ownership Certificates — Fang Quan Zheng Yi Fang Zi Di Nos. 2-20081698, 2-20081699, 2-20081700, 2-20081701, 2-20081702 and Yi Fang Quan Zheng Yi Chun Zi Di Nos. 2-20092288, 2-20100955, 2-20111176, 2-20111177, 2-20111178, 2-20111179, 2-2015001037 issued by Jiangxi Province Yi Chun Real Estate Administration Bureau (江西省宜春市房地產管理局), 12 buildings with a total gross floor area of approximately 39,870.48 sq.m. are owned by Jiangxi Styler.
- Pursuant to a Mortgage Contract of Maximum Amount dated 19 June 2012, the buildings under Building Ownership Rights Certificates—Yi Fang Quan Zheng Yi Chun Zi Di Nos. 2-20111176, 2-20111177, 2-20111178 and 2-20111179 are subject to a mortgage in favour of Industrial and Commercial Bank of China Yichun Sub-Branch (the “Bank”), as security to guarantee the principal obligation under a Fixed Asset Loan Contract entered into between the Bank and the Company for an amount of RMB9,000,000. The loan term under the aforesaid Loan Contract is commencing from 15 June 2012 and expiring on 14 June 2015. On 1 June 2015, the expiry date of Loan Contract has been extended to 17 May 2016.

4. Pursuant to a Mortgage Contract of Maximum Amount dated 8 April 2013, the land use rights of the land parcels with a total site area of approximately of 47,552.80 sq.m. under State-owned Land Use Rights Certificates — Yi Chun Guo Yong (2008) Di Nos. 11010089 and 11010092 and the buildings with a total gross floor area of approximately 6,700.74 sq.m. under Building Ownership Certificates — Fang Quan Zheng Yi Fang Zi Di No. 2-20081701 and Yi Fang Quan Zheng Yi Chun Zi Di Nos. 2-20092288, 2-20100955 are subject to a mortgage in favour of Industrial and Commercial Bank of China Yichun Sub-Branch (the “Bank”), as security to guarantee the principal obligation under a Fixed Asset Loan Contract entered into between the Bank and the Company for an amount of RMB8,000,000. The loan term under the aforesaid loan contract commences from 8 April 2013 and expires on 7 April 2016.
5. Pursuant to a Mortgage Contract of Maximum Amount dated 6 August 2015, the buildings under State-owned Land Use Rights Certificate — Yi Chun Guo Yong (2008) Di Nos. 11010090 & 11010091 and Building Ownership Rights Certificates—Fang Quan Zheng Yi Fang Zi Di No. 2-20081698 and Yi Fang Quan Zheng Yi Chun Zi Di No. 2-2015001037 are subject to a mortgage in favour of Argicultural Bank of China Yichun Sub-Branch (the “Bank”), as security to guarantee the principal obligation under a Fixed Asset Loan Contract entered into between the Bank and the Company for an amount of RMB14,850,000. The loan term under the aforesaid Loan Contract is commencing from 6 August 2015 and expiring on 5 August 2018.
6. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:
 - a. Jiangxi Styler has obtained the land use rights certificates of the property. Except for the land use rights mentioned in notes 3, 4 and 5 which have been mortgaged within the land use rights term, Jiangxi Styler is the sole legal user of these land parcels and has the rights to use, occupy, transfer, lease, mortgage or otherwise dispose of the land use rights of the property; and
 - b. Jiangxi Styler has obtained the building ownership certificates of the property. Except for the building ownership rights of the buildings mentioned in notes 3, 4 and 5 which have been mortgaged, Jiangxi Styler has fully, legally and effectively obtained the ownership rights of the buildings.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2015 RMB
2.	A parcel of land, 4 buildings and a building under construction located at No.251, 253 Huachuan North Road Chi'an Town Yiwu City Zhejiang Province the PRC	<p>The property comprises a parcel of land with a site area of approximately 20,019.10 sq.m. and 4 industrial buildings ("Completed buildings") erected thereon which were completed in 2015. The property is located in Chi'an town area and the surrounding environment is mainly industrial and residential area with factories, schools, parks, etc.</p> <p>The Completed buildings include 3 industrial workshops and a dormitory building with a total gross floor area of approximately 40,725.74 sq.m.</p> <p>Apart from the Completed buildings, the property also comprises an industrial workshop ("CIP building") which was under construction on the same land parcel as at the valuation date.</p> <p>The CIP building is scheduled to be completed in the fourth quarter of 2016. Upon completion, the CIP building will have a gross floor area of approximately 24,575.35 sq.m.</p> <p>As advised by the Company, the estimated construction cost of the CIP building is RMB51,662,000, of which approximately RMB5,000,000 had been paid up to the valuation date.</p> <p>The land use rights of the property have been granted for a term expiring on 11 December 2063 for industrial use.</p>	The property was occupied by the Group for production and ancillary purposes except for the CIP building which was under construction as at the valuation date.	139,294,000

Notes:

- Pursuant to a State-owned Land Use Rights Certificate — Yi Wu Guo Yong (2013) Di No. 101-89654, the land use rights of the land with a site area of approximately 20,019.10 sq.m. have been granted to Partytime Costume & Lingerie (Yiwu) Co., Ltd ("Yiwu Partytime"), an indirect wholly owned subsidiary of the Company, for a term expiring on 11 December 2063 for industrial use.

2. Pursuant to 4 Building Ownership Certificates — Yi Wu Fang Quan Zheng Chi An Zi Di Nos. c00202181 to c00202184, 4 Completed buildings of the property with a total gross floor area of approximately 40,725.74 sq.m. are owned by Yiwu Partytime.
3. Pursuant to a Construction Work Planning Permit — Jian Zi Di No. 330782201302998 in favour of Yiwu Partytime, the construction works of the CIP building have been approved.
4. Pursuant to a Construction Work Commencement Permit — Shi Zi Di No. 330782201312310701 in favour of Yiwu Partytime, the commencement of the construction works of the CIP building of the property has been permitted.
5. Pursuant to a Mortgage Contract of Maximum Amount dated 5 March 2015, the buildings under State-owned Land Use Rights Certificate — Yi Wu Guo Yong (2013) Di No. 101-89654 is subject to a mortgage in favour of Yi Wu Rural Bank (the “Bank”), as security to guarantee the principal obligation under a Fixed Asset Loan Contract entered into between the Bank and the Company for an amount of RMB33,100,000. The loan term under the aforesaid Loan Contract is commencing from 5 March 2014 and expiring on 4 March 2016.
6. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:
 - a. Yiwu Partytime has obtained the land use rights certificate and the building ownership certificates of the property. Except for the land use rights and the building ownership rights of the property mentioned in note 5 which have been mortgaged, within the land use rights term, Yiwu Partytime is the sole legal user of this parcel of land and has the rights to use, occupy, transfer, lease, mortgage or otherwise dispose of the land use rights and building ownership rights of the property; and
 - b. Yiwu Partyime has obtained the relevant construction planning and construction work commencement permit for the CIP building of the property through applicable PRC laws and regulations.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 12 February 2015 under the Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (**Memorandum**) and the Amended and Restated Articles of Association (**Articles**).

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and since the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 7 August 2015 and effective on the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Share certificates

Every person whose name is entered as a member in the register of members shall be entitled to receive a certificate for his shares. No shares shall be issued to bearer.

Every certificate for shares, warrants or debentures or representing any other form of securities of the Company shall be issued under the seal of the Company, and shall be signed autographically by one Director and the Secretary, or by 2 Directors, or by some other person(s) appointed by the Board for the purpose. As regards any certificates for shares or debentures or other securities of the Company, the Board may by resolution determine that such signatures or either of them shall be dispensed with or affixed by some method or

system of mechanical signature other than autographic or may be printed thereon as specified in such resolution or that such certificates need not be signed by any person. Every share certificate issued shall specify the number and class of shares in respect of which it is issued and the amount paid thereon and may otherwise be in such form as the Board may from time to time prescribe. A share certificate shall relate to only one class of shares, and where the capital of the Company includes shares with different voting rights, the designation of each class of shares, other than those which carry the general right to vote at general meetings, must include the words “restricted voting” or “limited voting” or “non-voting” or some other appropriate designation which is commensurate with the rights attaching to the relevant class of shares. The Company shall not be bound to register more than 4 persons as joint holders of any share.

(b) Directors

(i) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that upon the happening of a specified event or upon a given date and either at the option of the Company or the holder thereof, they are liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate thereof shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate thereof has been destroyed and the Company has received an indemnity in such form as the Board shall think fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) *Power to dispose of the assets of the Company or any subsidiary*

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iii) *Compensation or payments for loss of office*

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(iv) *Loans and provision of security for loans to Directors*

There are provisions in the Articles prohibiting the making of loans to Directors and their close associates which are equivalent to provisions of Hong Kong law prevailing at the time of adoption of the Articles.

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or if any one or more of the Directors hold (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(v) *Disclosure of interest in contracts with the Company or with any of its subsidiaries*

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and, upon such terms as the Board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, either as vendor, purchaser or otherwise, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any Share by reason that the person or persons who are interested directly or indirectly therein have failed to disclose their interests to the Company.

A Director shall not vote (nor shall he be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement or other proposal in which he or his close associate(s) is/are materially interested, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters namely:

- (aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

- (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any proposal or arrangement concerning the benefit of employees of the Company or its subsidiaries including (i) the adoption, modification or operation of any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates both to Directors, his close associate(s) and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director or his close associate(s), as such any privilege or advantage not generally accorded to the employees class of persons to which such scheme or fund relates; or
- (ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

(vi) *Remuneration*

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree or failing agreement, equally, except that in such event any Director holding office for only a portion of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he has held office. The Directors shall also be entitled to be repaid all travelling, hotel and other expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with other companies (being subsidiaries of the Company or with which the Company is associated in business), or may make contributions out of the Company's monies to, such schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

In addition, the Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) *Appointment, retirement and removal*

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being will retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors who shall retire in each year will be those who have been longest in the office since their last re-election or appointment but as between persons who become or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office. The period for lodgment of such notices will commence no earlier than the day after the despatch of the notice of the meeting appointed for such election and end no later than 7 days prior to the date of such meeting and the minimum length of the period during which such notices to the Company may be given must be at least 7 days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to the Board or retirement therefrom.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to retirement by rotation provisions in the articles of association. The number of Directors shall not be less than two.

In addition to the foregoing, the office of a Director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to the Company at the registered office or head office of the Company for the time being or tendered at a meeting of the Board;
- (bb) if he dies or becomes of unsound mind as determined pursuant to an order made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Board resolves that his office be vacated;
- (cc) if, without special leave, he is absent from meetings of the Board for six (6) consecutive months, and the Board resolves that his office is vacated;

- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) if he is prohibited from being a director by law;
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles;
- (gg) if he has been validly required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director and the relevant time period for application for review of or appeal against such requirement has lapsed and no application for review or appeal has been filed or is underway against such requirement; or
- (hh) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) then in office.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director or Directors and other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(viii) *Borrowing powers*

Pursuant to the Articles, the Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The provisions summarized above, in common with the Articles of Association in general, may be varied with the sanction of a special resolution of the Company.

(ix) *Register of Directors and officers*

Pursuant to the Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

(x) *Proceedings of the Board*

Subject to the Articles, the Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) Alterations to the constitutional documents

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed by the Company by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings shall *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or in the case of a shareholder being a corporation, by its duly authorized representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Alteration of capital

The Company may, by an ordinary resolution of its members, (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; and (e) cancel shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

Reduction of share capital — subject to the Companies Law and to confirmation by the court, a company limited by shares may, if so authorised by its Articles of Association, by special resolution, reduce its share capital in any way.

(f) Special resolution — majority required

In accordance with the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An “ordinary resolution”, by contrast, is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 14 clear days’ notice has been given and held in accordance with the Articles. A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(g) Voting rights (generally and on a poll) and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purpose as paid up on the share, and on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Notwithstanding anything contained in the Articles, where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) (or its nominee(s)), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by:

- (i) at least two members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or
- (ii) any member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (iii) a member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s), be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this

provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s), as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(h) Annual general meetings

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(i) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the assets and liabilities of the Company and of all other matters required by the Companies Law necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account or book or document of the Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to shareholders who has, in accordance with the rules of the stock exchange of the Relevant Territory (as defined in the Articles), consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other

documents as may be required under the rules of the stock exchange of the Relevant Territory (as defined in the Articles), and must be sent to the shareholders not less than 21 days before the general meeting to those shareholders that have consented and elected to receive the summarized financial statements.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(j) Notices of meetings and business to be conducted thereat

An annual general meeting of the Company must be called by at least 21 days' notice in writing, and a general meeting of the Company other than an annual general meeting shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting, and particulars of the resolution(s) to be considered at that meeting, and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member either personally or by sending it through the post in a prepaid envelope or wrapper addressed to such member at his registered address as appearing in the Company's register of members or by leaving it at such registered address as aforesaid or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which for the purpose of service of notice shall be deemed to be his registered address. Where the registered address of the member is outside Hong Kong, notice, if given through the post, shall be sent by prepaid airmail letter where available. Subject to the Companies Law and the Listing Rules, a notice or document may be served or delivered by the Company to any member by electronic means to such address as may from time to time be authorised by the member concerned or by publishing it on a website and notifying the member concerned that it has been so published.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% of the total voting rights at the meeting of all members of the Company.

All business transacted at an extraordinary general meeting shall be deemed special business and all business shall also be deemed special business where it is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
 - (bb) the consideration and adoption of the accounts and balance sheets and the reports of the directors and the auditors;
 - (cc) the election of Directors in place of those retiring;
 - (dd) the appointment of auditors;
 - (ee) the fixing of the remuneration of the Directors and of the auditors;
 - (ff) the granting of any mandate or authority to the Board to offer, allot, grant options over, or otherwise dispose of the unissued shares of the Company representing not more than 20% in nominal value of its existing issued share capital (or such other percentage as may from time to time be specified in the rules of the Stock Exchange) and the number of any securities repurchased by the Company since the granting of such mandate; and
 - (gg) the granting of any mandate or authority to the Board to repurchase securities in the Company.
- (k) **Transfer of shares**

Subject to the Companies Law, all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve provided always that it shall be in such form prescribed by the Stock Exchange and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers in any case in which it in its discretion thinks fit to do so, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share option scheme upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The Board may decline to recognize any instrument of transfer unless a fee of such maximum sum as the Stock Exchange may determine to be payable or such lesser sum as the Board may from time to time require is paid to the Company in respect thereof, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules (as defined in the Articles), be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction with respect to the right of the holder thereof to transfer such shares (except when permitted by the Stock Exchange) and shall also be free from all liens.

(1) Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price, and if purchases are by tender, tenders shall be available to all members alike.

(m) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(n) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share; and
- (ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared on the share capital of the Company, the Board may resolve:

- (aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, but in the case of joint holders, shall be addressed to the holder whose name stands first in the register of members of the Company in respect of the shares at his address as appearing in the register, or addressed to such person and at such address as the holder or joint holders may in writing so direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(o) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition,

a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for use by him for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(p) Calls on shares and forfeiture of shares

The Board may from time to time make such calls as it may think fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for the payment thereof to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice will name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and it shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(q) Inspection of corporate records

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. However, the members of the Company will have such rights as may be set forth in the Articles. The Articles provide that for so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of member is closed) without charge and require the provision to him of copies or extracts thereof in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or outside the Cayman Islands, as its directors may, from time to time, think fit.

(r) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(s) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

(t) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, on the shares held by them respectively.

In the event that the Company is wound up (whether the liquidation is voluntary or compelled by the court) the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator shall think fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(u) Untraceable members

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

In accordance with the Articles, the Company is entitled to sell any of the shares of a member who is untraceable if:

- (i) all cheques or warrants, being not less than three in total number, for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years;

- (ii) upon the expiry of the 12 years and 3 months period (being the 3 months' notice period referred to in sub-paragraph (iii)), the Company has not during that time received any indication of the existence of the member; and
- (iii) the Company has caused an advertisement to be published in accordance with the rules of the stock exchange of the Relevant Territory (as defined in the Articles) giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the stock exchange of the Relevant Territory (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(v) Subscription rights reserve

Pursuant to the Articles, provided that it is not prohibited by and is otherwise in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 12 February 2015 subject to the Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

As an exempted company, the Company must conduct its operations mainly outside the Cayman Islands. Moreover, the Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

In accordance with the Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to

be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) any manner provided in section 37 of the Companies Law;
- (iv) writing-off the preliminary expenses of the company; and
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, the Companies Law provides that no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

It is further provided by the Companies Law that, subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

The Articles include certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company’s or a subsidiary’s shares. Therefore, a company may provide financial assistance provided the directors of the company when proposing to grant such financial assistance discharge their duties of care and acting in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm’s-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. Nonetheless, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares without the manner and terms of purchase first being authorised by an ordinary resolution of the company. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Under Section 37A(1) the Companies Law, shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if (a) the memorandum and articles of association of the company do not prohibit it from holding treasury shares; (b) the relevant provisions of the memorandum and articles of association (if any) are complied with; and (c) the company is authorised in accordance with the company's articles of association or by a resolution of the directors to hold such shares in the name of the company as treasury shares prior to the purchase, redemption or surrender of such shares. Shares held by a company pursuant to section 37A(1) of the Companies Law shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of sections 34 and 37A(7) of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see sub-paragraph 2(n) of this Appendix for further details). Section 37A(7)(c) of the Companies Law provides that for so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions thereto) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge:

- (i) an act which is ultra vires the company or illegal;
- (ii) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company; and
- (iii) an irregularity in the passing of a resolution the passage of which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members thereof holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report thereon.

Moreover, any member of a company may petition the court which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions in the Companies Law on the power of directors to dispose of assets of a company, however the directors have certain duties of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances and also fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

(h) Accounting and auditing requirements

Section 59 of the Companies Law provides that a company shall cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters with respect to which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company.

Section 59 of the Companies Law further states that proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If the Company keeps its books of account at any place other than at its registered office or at any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) Stamp duty on transfers

There is no stamp duty payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

The Companies Law contains no express provision prohibiting the making of loans by a company to any of its directors. However, the Articles provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of the company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. The Companies Law contains no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

(o) Winding up

A Cayman Islands company may be wound up either by (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company occurs where the Company so resolves by special resolution that it be wound up voluntarily, or, where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due; or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or where the event occurs on the occurrence of which the

memorandum or articles provides that the company is to be wound up. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators shall be appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order shall take effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, there may be appointed one or more persons to be called an official liquidator or official liquidators; and the court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one persons are appointed to such office, the court shall declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(p) Reconstructions

Reconstructions and amalgamations are governed by specific statutory provisions under the Companies Law whereby such arrangements may be approved by a majority in number representing 75% in value of members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member would have the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, nonetheless the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were

approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(q) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(r) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents Available for Inspection" in Appendix VI of this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY**1. Incorporation of Our Company**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 12 February 2015. Our Company has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 28 May 2015 and the principal place of business in Hong Kong is at Unit 806, 8/F., Tower II, Cheung Sha Wan Plaza, 833 Cheung Sha Wan Road, Kowloon, Hong Kong. Mr. Chong Man Hung Jeffrey who resides at Flat E, 48/F, Tower 15, Ocean Shores, 88 O King Road, Tseung Kwan O, New Territories, Hong Kong has been appointed as the authorised representative of our Company for the acceptance of service of process and notices in Hong Kong.

As our Company was incorporated in the Cayman Islands, it is subject to the relevant laws of the Cayman Islands and its constitution documents which comprise the Memorandum of Association and the Articles of Association. A summary of the relevant aspects of the Companies Law and certain provisions of the constitution documents are set out in Appendix IV to this prospectus.

2. Changes in share capital of our Company

- (a) As at the date of incorporation of our Company, the authorised share capital was US\$50,000 divided into 5,000,000 Shares of US\$0.01 each, of which one share was issued and allotted fully paid to the initial subscriber at par. On the same date, the one share held by the initial subscriber was transferred to Master Professional. Also, an aggregate of 9,999 shares of our Company were allotted and issued at par as to 6,999 shares to Master Professional, 1,500 shares to Summit Quest and 500 shares to each of Master Venture, Venture Master and Richest Place respectively.
- (b) On 5 May 2015, pursuant to the written resolutions of the Shareholders, the denomination of the authorised and issued share capital of the Company was changed from USD to HKD such that the par value of the shares of our Company was changed to HK\$0.01 with immediate effect, and the authorised share capital of the Company was increased to HK\$15,600,000 divided into 1,560,000,000 Shares of par value HK\$0.01 each.

Immediately following completion of the Capitalisation Issue and the Global Offering (without taking into account the Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme), the authorised share capital of our Company is HK\$15,600,000 divided into 1,560,000,000 Shares and the issued share capital of our Company will be HK\$7,500,000 divided into 750,000,000 Shares, all fully paid or credited as fully paid, and 810,000,000 Shares will remain unissued. Other than pursuant to the general mandate to issue Shares referred to in the section headed “Written resolutions of the Shareholders” in this Appendix and the exercise of the

Over-allotment Option and any options which may be granted under the Share Option Scheme, the Directors do not have any present intention to issue any of the authorised but unissued share capital of our Company and, without prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed to this prospectus, there has been no alteration in our Company's share capital since its incorporation.

3. Written resolutions of the Shareholders

Pursuant to the written resolutions of the Shareholders passed on 7 August 2015, among other things:

- (a) our Company approved and adopted the Articles, the terms of which are summarised in Appendix IV to this prospectus, with effect from the Listing Date;
- (b) conditional on (a) the Listing Committee granting the approval of the listing of, and permission to deal in, the Shares in issue and Shares to be issued as mentioned in this prospectus (including any Shares which may be issued pursuant to the exercise of the Share Option Scheme in respect of up to 10% of the Shares in issue as at the Listing Date); and (b) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreement or otherwise (collectively, the "**Conditions**"):
 - (i) the Global Offering and the Over-allotment Option were approved and the Directors were authorised to allot and issue the Offer Shares pursuant to the Global Offering and any Shares which are required to be issued pursuant to the exercise of the Over-allotment Option;
 - (ii) the rules of the Share Option Scheme were approved and adopted and the Directors were authorised, subject to the terms and conditions of the Share Option Scheme, to grant options to subscribe for Shares thereunder and to allot, issue and deal with the Shares pursuant thereto and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme;
 - (iii) conditional on the share premium account of our Company being credited as a result of the Global Offering, upon the recommendation of the Directors, the sum of HK\$5,624,220, being part of the amount which would then be standing to the credit of the share premium account of our Company be capitalised and applied in paying up in full 562,422,000 Shares to be allotted credited as fully paid at par to holders of Shares whose names appeared on the register of members of our Company at the close of business on 7 August 2015 (or as they may direct) in proportion as nearly as may be without involving fractions to their then existing

shareholdings in our Company and the Shares to be allotted and issued pursuant to the resolution shall rank *pari passu* in all respects with the existing issued Shares (other than the Capitalisation Issue) and our Directors or any committee of the Board were authorised to give effect to the Capitalisation Issue;

- (c) conditional upon the fulfilment of the Conditions, a general unconditional mandate was given to the Directors to exercise all the powers of our Company to allot, issue and deal with, otherwise than by way of rights issue or an issue of Shares upon the exercise of any subscription rights attached to any warrants or convertible securities or pursuant to the exercise of any options which may be granted under the Share Option Scheme or any other option scheme or other similar arrangements or under the Global Offering or any scrip dividend schemes in accordance with the Articles or a specific authority granted by the Shareholders in general meeting, Shares or securities or options convertible into Shares and to make and grant offers and agreements which would or might require Shares to be allotted (whether or not such securities or options involve the allotment or issue of Shares during or after the Relevant Period (as defined below)) with an aggregate nominal value not exceeding 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Global Offering but excluding any Shares which may be issued under the Over-allotment Option or pursuant to the exercise of the options which may be granted under the Share Option Scheme and such mandate to remain in effect during the Relevant Period. “Relevant Period” means the period from the date of passing the resolution until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of our Company; or
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
 - (iii) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting;
- (d) conditional upon the fulfilment of the Conditions, a general unconditional mandate was given to the Directors authorising them to exercise all powers of our Company to repurchase Shares listed on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, in accordance with all applicable laws and the requirements of the Listing Rules (or of such other stock exchange), such number of Shares with an aggregate nominal value not exceeding 10% of the aggregate of the nominal value of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Global Offering but excluding any Shares which may be issued under the Over-allotment Option or pursuant to the exercise of the options which may be granted under the Share Option Scheme, and such mandate to remain in effect during the Relevant Period;

- (e) conditional upon the fulfilment of the Conditions, the general unconditional mandate mentioned in sub-paragraph (d) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed to be allotted by the Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in sub-paragraph (e) above, provided that such extended amount shall not exceed 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Global Offering but excluding any Shares which may be issued under the Over-allotment Option or pursuant to the exercise of the options which may be granted under the Share Option Scheme.

4. Corporate Reorganisation

The companies comprising our Group underwent the Reorganisation in preparation for the Listing, pursuant to which our Company became the holding company of our Group. The Reorganisation included the following major steps:

1. On 20 January 2015, Master Professional was incorporated in the BVI as a limited liability company with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each, and one subscriber share was allotted to Mr. Chen at par.
2. On 20 January 2015, Summit Quest was incorporated in the BVI as a limited liability company with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each, and one subscriber share was allotted to Mr. Chen Sheng Guan at par.
3. On 20 January 2015, Master Venture was incorporated in the BVI as a limited liability company with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each, and one subscriber share was allotted to Ms. Zhou at par.
4. On 20 January 2015, Venture Master was incorporated in the BVI as a limited liability company with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each, and one subscriber share was allotted to Mr. Lin at par.
5. On 12 February 2015, our Company was incorporated in the Cayman Islands with limited liability. At the time of incorporation, our Company had an authorised share capital of US\$50,000 divided into 5,000,000 shares of US\$0.01 each, of which one share was issued and allotted fully paid to the initial subscriber at par. On the same date, the one share held by the initial subscriber was transferred to Master Professional. Also, an aggregate of 9,999 shares of our Company were allotted and issued at par as to 6,999 shares to Master Professional, 1,500 shares to Summit Quest and 500 shares

to each of Master Venture, Venture Master and Richest Place respectively. As a result, the shareholding interest of the Company was held as to 70% by Master Professional, 15% by Summit Quest, 5% by Master Venture, 5% by Venture Master and 5% by Richest Place. On 5 May 2015, the shareholders' resolutions of the Company were passed to change the denomination of the authorised and issued share capital of the Company from USD to HKD such that the 10,000 shares of US\$0.01 of the Company were reconverted into 78,000 Shares and the par value of the Shares was changed to HK\$0.01 with immediate effect. As such, our Company's total number of issued shares was 78,000 Shares, held as to 54,600 Shares by Master Professional, 11,700 Shares by Summit Quest and 3,900 Shares by each of Master Venture, Venture Master and Richest Place respectively.

6. On 25 February 2015, Win Profit was incorporated in the BVI with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each, and one subscriber share was issued and allotted fully paid to our Company at par.
7. On 12 March 2015, China Partytime was incorporated in Hong Kong with a share capital of HK\$1 of which one share was allotted and issued fully paid to Win Profit.
8. On 13 April 2015, China Partytime entered into an equity transfer agreement with each of Mr. Chen, Mr. Chen Sheng Guan, Ms. Zhou, Mr. Lin and Richest Place to acquire their respective equity interest of 70%, 15%, 5%, 5% and 5% in Jiangxi Styler at the cash consideration of RMB28,000,000, RMB6,000,000, RMB2,000,000, RMB2,000,000 and RMB2,000,000 respectively, which was equivalent to the respective amount of the registered capital as represented by the percentage of equity interest of the respective transferors in Jiangxi Styler. Such acquisitions have been approved by Department of Commerce of Jiangxi Province. The acquisition was legally completed on 11 May 2015. As a result, Jiangxi Styler became a wholly owned subsidiary of China Partytime.

5. Changes in share capital of subsidiaries

The subsidiaries of our Company are listed in the Accountant's Report, the text of which is set out in Appendix I to this prospectus.

Save as disclosed in the section headed "History and Corporate Structure" in this prospectus and the section headed "4. Corporate Reorganisation" above, there has been no other change to the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

6. Repurchase by our Company of its own securities

This section includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of its own securities.

(a) *Provisions of the Listing Rules*

The Listing Rules permit companies with a primary listing on the Stock Exchange to purchase their shares on the Stock Exchange subject to certain restrictions.

(i) *Shareholders' approval*

The Listing Rules provide that all proposed repurchases of shares (which must be fully paid in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of general mandate or by specific approval of a specific transaction.

Note: Pursuant to the written resolutions of the Shareholders passed on 7 August 2015, a general unconditional mandate (i.e. the Repurchase Mandate) was given to the Directors authorising the Directors to exercise all powers of our Company to purchase Shares listed on the Stock Exchange, or any other stock exchange on which the Shares may be listed and recognised by the SFC and the Stock Exchange for this purpose, such number of Shares with an aggregate nominal value not exceeding 10% of the aggregate of the nominal value of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Global Offering but excluding any Share which may be issued under the Over-allotment Option or pursuant to the exercise of the options which may be granted under the Share Option Scheme, and the Repurchase Mandate shall remain in effect until whichever is the earliest of the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held, or when the Repurchase Mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting.

(ii) *Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum of Association and the Articles and the applicable laws of the Cayman Islands and the Listing Rules. A company may not repurchase its own shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Under the Cayman Islands law, any repurchases by our Company may be made out of profits of our Company or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Memorandum of Association and

the Articles and subject to the Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of profits of our Company or out of our Company's share premium account or, if authorised by the Memorandum of Association and the Articles and subject to the Companies Law, out of capital.

(iii) *Connected parties*

The Listing Rules prohibit our Company from knowingly repurchasing the Shares on the Stock Exchange from a "connected person", which includes a Director, chief executive or substantial Shareholder of our Company or any of the subsidiaries or an associate of any of them and a connected person shall not knowingly sell Shares to our Company.

(b) *Reasons for repurchases*

The Directors believe that it is in the best interests of our Company and the Shareholders for the Directors to have a general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of our Company's net asset value and/or earnings per Share and will only be made when the Directors believe that such repurchases will benefit our Company and the Shareholders.

(c) *Exercise of the Repurchase Mandate*

Exercise in full of the Repurchase Mandate, on the basis of 750,000,000 Shares in issue immediately after completion of the Capitalisation Issue and Global Offering, but not taking into account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, could accordingly result in up to 75,000,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

(d) *Funding of repurchase*

In repurchasing the Shares, our Company may only apply funds legally available for such purpose in accordance with the Memorandum of Association and Articles, the Listing Rules, the Companies Law and the applicable laws of the Cayman Islands.

On the basis of the current financial position of our Group as disclosed in this prospectus and taking into account the current working capital position of our Group, the Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Group as compared with the position disclosed in this prospectus. The Directors do not

propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Group or the gearing levels which in the opinion of the Directors are from time to time appropriate for our Group.

(e) *General*

Under the Listing Rules, shares proposed to be repurchased by a company must be fully paid-up.

None of the Directors or, to the best of their knowledge having made all reasonable enquiries, any of their close associates (as defined in the Listing Rules), has any present intention if the Repurchase Mandate is exercised to sell any Shares to our Company or our subsidiaries.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, our Articles and the applicable laws of the Cayman Islands.

If as a result of a repurchase of the Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Save as disclosed above, the Directors are not aware of any consequence that would arise under the Takeovers Code as a result of a repurchase pursuant to the Repurchase Mandate.

The Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

No core connected person (as defined in the Listing Rules) of our Company has notified our Company that he has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS**1. Summary of material contracts**

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:




- (a) an equity transfer agreement dated 18 October 2013 entered into between Jiangxi Styler and Mr. Weng Qi He (翁其何) pursuant to which Jiangxi Styler agreed to transfer the registered capital in the amount of RMB3,000,000 in Anhui Chunchao Cultural Creativity Limited* (安徽春潮文化創意有限公司) to Mr. Weng Qi He (翁其何) at the consideration of RMB3,000,000;
- (b) an equity transfer agreement dated 18 October 2013 entered into between Jiangxi Styler and Mr. Chen Sheng Guan (陳聖冠) pursuant to which Jiangxi Styler agreed to transfer the registered capital in the amount of RMB2,000,000 in Anhui Chunchao Cultural Creativity Limited* (安徽春潮文化創意有限公司) to Mr. Chen Sheng Guan (陳聖冠) at the consideration of RMB2,000,000;
- (c) an equity transfer agreement dated 20 May 2014 entered into between Jiangxi Styler and Mr. Li Bin (李斌) pursuant to which Jiangxi Styler agreed to transfer 51% equity interest in Jiangxi Styler International Trading Co. Ltd.* (江西絲黛國際貿易有限公司) to Mr. Li Bin (李斌) at the consideration of RMB1,020,000;
- (d) an equity transfer agreement dated 20 May 2014 entered into between Jiangxi Styler and Mr. Yuan Gong Fa (袁功發) pursuant to which Jiangxi Styler agreed to transfer 49% equity interest in Jiangxi Styler International Trading Co. Ltd.* (江西絲黛國際貿易有限公司) to Mr. Yuan Gong Fa (袁功發) at the consideration of RMB980,000;
- (e) an equity transfer agreement dated 13 April 2015 entered into between China Partytime (in its former name China Animation Culture (Hong Kong) Investments Limited 中國動漫文化(香港)投資有限公司) and Mr. Chen pursuant to which Mr. Chen agreed to transfer 70% equity interest in Jiangxi Styler to China Partytime at the consideration of RMB28,000,000;

- (f) an equity transfer agreement dated 13 April 2015 entered into between China Partytime (in its former name China Animation Culture (Hong Kong) Investments Limited 中國動漫文化(香港)投資有限公司) and Mr. Chen Sheng Guan (陳聖冠) pursuant to which Mr. Chen Sheng Guan (陳聖冠) agreed to transfer 15% equity interest in Jiangxi Styler to China Partytime at the consideration of RMB6,000,000;
- (g) an equity transfer agreement dated 13 April 2015 entered into between China Partytime (in its former name China Animation Culture (Hong Kong) Investments Limited 中國動漫文化(香港)投資有限公司) and Mr. Lin pursuant to which Mr. Lin agreed to transfer 5% equity interest in Jiangxi Styler to China Partytime at the consideration of RMB2,000,000;
- (h) an equity transfer agreement dated 13 April 2015 entered into between China Partytime (in its former name China Animation Culture (Hong Kong) Investments Limited 中國動漫文化(香港)投資有限公司) and Ms. Zhou pursuant to which Ms. Zhou agreed to transfer 5% equity interest in Jiangxi Styler to China Partytime at the consideration of RMB2,000,000;
- (i) an equity transfer agreement dated 13 April 2015 entered into between China Partytime (in its former name China Animation Culture (Hong Kong) Investments Limited 中國動漫文化(香港)投資有限公司) and Richest Place pursuant to which Richest Place agreed to transfer 5% equity interest in Jiangxi Styler to China Partytime at the consideration of RMB2,000,000;
- (j) the Non-competition Deed;
- (k) the Deed of Indemnity; and
- (l) the Hong Kong Underwriting Agreement.


2. Intellectual property rights

Trademark



- (a) As at the Latest Practicable Date, our Group is the registered owner of the following trademarks in the PRC which we believe are material to our business:

Trademark	Registered Owner	Class (Note)	Registration Number	Registration Date	Expiry Date
	Jiangxi Styler	26	4435820	14 November 2008	13 November 2018
	Jiangxi Styler	35	12841762	21 November 2014	20 November 2024
	Yiwu Partytime	25	10023039	28 November 2012	27 November 2022


As at the Latest Practicable Date, our Group had acquired the following trademark and the updating of registration of which under our name with the Trademark Office of SAIC was expected to be completed by January 2016:

Trademark	Class (Note)	Registration Number	Registration Date	Expiry Date
	25	7215320	14 September 2010	13 September 2020

- (b) As at the Latest Practicable Date, our Group has registered the following trademarks in other countries and regions outside Hong Kong, the PRC and Macau which we believe are material to our business:

Trademark	Country or place of registration	Registered Owner	Class (Note)	Registration Number	Registration Date	Expiry Date
	United States of America	Jiangxi Styler	26	4173603	17 July 2012	17 July 2022
	Japan	Jiangxi Styler	26	1093298	5 September 2011	5 September 2021

- (c) As at the Latest Practicable Date, our Group has registered the following trademarks under the Madrid Agreement and Protocol concerning the International Registration of Marks which we believe are material to our business:

Trademark	Registered Owner	Class (Note)	International Registration Number	Registration Date	Expiry Date
<i>Secret Temptations</i>	Yiwu Partytime*	25	1120846	17 April 2012	17 April 2022
	Jiangxi Styler	26	1093298	5 September 2011	5 September 2021

- * At the time of registration, the English name of Yiwu Partytime was translated into Yiwu Party Dress Co., Ltd., which is now shown on the registration certificate.

Notes:

Class 25 - Clothing, footwear, headgear.

Class 26 - Lace and embroidery, ribbons and braid; buttons, hooks and eyes, pins and needles; artificial flowers.

Class 35 - Advertising; business management; business administration; office functions.

Patent

As at the Latest Practicable Date, our Group has registered the following patents with the State Intellectual Property Office of the PRC* (國家知識產權局) which we believe are material to our business:

Patent	Registered Owner	Type	Patent Number	Date of Application	Expiry Date
Hair strip weaving method and hair strip weaving device* (髮條編織製作方法及其裝置)	Jiangxi Styler	Invention Patent	ZL201210075299.8	21 March 2012	20 March 2032
Hair connection device, hair tying strip and hair connection method* (頭髮連接裝置及結髮條及其連接方法)	Jiangxi Styler	Invention Patent	ZL201210075335.0	21 March 2012	20 March 2032
Efficient energy-saving dryer* (高效節能烘房)	Jiangxi Styler	Utility Model Patent	ZL201220107536.X	21 March 2012	20 March 2022
A type of wigs* (一種假髮)	Jiangxi Styler	Utility Model Patent	ZL201220114989.5	24 March 2012	23 March 2022
A type of comb device* (一種發梳裝置)	Jiangxi Styler	Utility Model Patent	ZL201220114687.8	23 March 2012	22 March 2022
Hot-pressing shaper* (熱壓整形機)	Jiangxi Styler	Utility Model Patent	ZL201220107621.6	21 March 2012	20 March 2022
Wig reforming machine* (假髮整形機)	Jiangxi Styler	Utility Model Patent	ZL201220107639.6	21 March 2012	20 March 2022
Buckling machine* (壓曲機)	Jiangxi Styler	Utility Model Patent	ZL201220107607.6	21 March 2012	20 March 2022
A type of grafting type wig sheath* (一種嫁接式假髮套件)	Yiwu Styler	Utility Model Patent	ZL201320457545.6	26 July 2013	25 July 2023
Body shaping wear* (具有塑形修身功能的服飾)	Yiwu Partytime	Utility Model Patent	ZL201420639592.7	30 October 2014	29 October 2024

Patent	Registered Owner	Type	Patent Number	Date of Application	Expiry Date
A type of prism-shaped wig cap* (一種帶有菱形網的假髮網帽)	Yiwu Styler	Utility Model Patent	ZL201120332881.9	7 September 2011	6 September 2021
Antibacterial wig* (抗菌纖維假髮)	Jiangxi Styler	Utility Model Patent	ZL201420644934.4	30 October 2014	29 October 2024
Wigs* (假髮)	Jiangxi Styler	Utility Model Patent	ZL201420844216.1	25 December 2014	24 December 2024
Wig cover* (假髮網罩)	Jiangxi Styler	Utility Model Patent	ZL201420840775.5	25 December 2014	24 December 2024
Packaging box (1)* (包裝盒 (1))	Jiangxi Styler	Design Patent	ZL201430511179.8	9 December 2014	8 December 2024
Packaging box (2)* (包裝盒 (2))	Jiangxi Styler	Design Patent	ZL201430511188.7	9 December 2014	8 December 2024
Packaging box (3)* (包裝盒 (3))	Jiangxi Styler	Design Patent	ZL201430511189.1	9 December 2014	8 December 2024
Packaging box (4)* (包裝盒 (4))	Jiangxi Styler	Design Patent	ZL201430511619.X	9 December 2014	8 December 2024
Packaging box (5)* (包裝盒 (5))	Jiangxi Styler	Design Patent	ZL201430511316.8	9 December 2014	8 December 2024

Domain names

As at the Latest Practicable Date, our Group has registered the following domain names:

Domain Name	Initial Registration Date	Expiry Date
partytime.cn	20 December 2012	20 December 2016
partytime.com.cn	20 November 2006	20 November 2016
partystyler.cn	31 May 2013	31 May 2017
partystyle.cn	31 May 2013	31 May 2017

C. DISCLOSURE OF INTEREST**1. Interests and short positions of the Directors and the chief executives of our Company in the Shares, underlying Shares and debentures of our Company and its associated corporations**

Immediately following completion of the Capitalisation Issue and the Global Offering (without taking into account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme), the interests and short positions of the Directors or chief executives of our Company in the Shares, underlying Shares and debentures of our Company or any of the associated corporations (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests which they are taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register as referred to therein, or will be required, or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to our Company and the Stock Exchange, in each case once the Shares are listed on the Stock Exchange, will be as follows:

(a) Long position in the Shares

Name of Director	Capacity/nature of interest	Number of Shares	Approximate percentage of shareholding interest of our Company
Mr. Chen	Interest in controlled corporation (<i>Note 1</i>)	393,750,000	52.50%
Mr. Lin	Interest in controlled corporation (<i>Note 2</i>)	28,125,000	3.75%

Notes:

1. Master Professional is 100% beneficially owned by Mr. Chen. Accordingly, Mr. Chen is deemed to be interested in the Shares held by Master Professional under the SFO.
2. Venture Master is 100% beneficially owned by Mr. Lin. Accordingly Mr. Lin is deemed to be interested in the Shares held by Venture Master under the SFO.

(b) *Long position in Master Professional, the associated corporation of our Company*

Name of Director	Capacity/ Nature of Interest	Percentage of shareholding interest of Master Professional
Mr. Chen	Beneficial owner	100%

2. **Interests and short positions of Substantial Shareholders in the Shares, and underlying Shares of our Company**

So far as it is known to the Directors, immediately following completion of the Capitalisation Issue and the Global Offering (without taking into account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme), the following persons/entities will have interests or short positions in the Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Long position in the Shares

Name of Shareholder	Capacity/Nature of Interest	Number of Shares	Approximate percentage of shareholding interests of our Company
Mr. Chen ^(Note 1)	Interest in controlled corporation	393,750,000	52.50%
Master Professional ^(Note 1)	Beneficial owner	393,750,000	52.50%
Mr. Chen Sheng Guan ^(Note 2)	Interest in controlled corporation	84,375,000	11.25%
Summit Quest ^(Note 2)	Beneficial owner	84,375,000	11.25%

Notes:

1. Master Professional is 100% beneficially owned by Mr. Chen. Accordingly, Mr. Chen is deemed to be interested in the Shares held by Master Professional under the SFO.
2. Summit Quest is 100% beneficially owned by Mr. Chen Sheng Guan. Accordingly, Mr. Chen Sheng Guan is deemed to be interested in the Shares held by Summit Quest under the SFO.

3. Particulars of service agreement

Each of the executive Directors has entered into a service contract with our Company for an initial fixed term of three years commencing from the Listing Date and shall continue thereafter until terminated by either party by giving to the other party three months' notice in writing at any time after such initial fixed term, provided that our Company may terminate the contract by giving to the executive Directors not less than three months' prior notice in writing at any time after the date of the contract. The appointment shall terminate automatically in the event of the executive Director ceasing to be a Director for whatever reason.

Each of these executive Directors is entitled to the respective director's fee set out below. In addition, each of the executive Directors is also entitled to a discretionary bonus if so recommended by the remuneration committee of our Company and approved by the Board having regard to the operating results of our Group and the performance of the executive Director.

Each of the non-executive Director and the independent non-executive Directors has entered into a service contract with our Company under which each of them is appointed for a period of three years commencing from the Listing Date. Each of the independent non-executive Directors is entitled to a director's fee set out below.

Save as aforesaid, none of the Directors has or is proposed to have a service contract with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

4. Directors' remuneration

- (a) The aggregate emoluments and benefits paid to the Directors by our Group in respect of the three years ended 31 December 2014 and for the three months ended 31 March 2015 were approximately RMB877,000, RMB874,000, RMB707,000 and RMB152,000, respectively.
- (b) Under the arrangements currently in force, the aggregate emoluments (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to the Directors for the year ending 31 December 2015 will be approximately HK\$1,690,000.
- (c) Save as disclosed herein, none of the Directors or any past directors of any member of our Group has been paid any sum of money for each of the three years ended 31 December 2014 and for the three months ended 31 March 2015 (i) as an inducement to join or upon joining our Company; (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group; or (iii) otherwise for services rendered by him in connection with the promotion or formation of our Group.

- (d) There has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of the three years ended 31 December 2014 and for the three months ended 31 March 2015.
- (e) Under the arrangements currently proposed, conditional upon the Listing, the basic annual remuneration (excluding payment pursuant to any discretionary benefits or bonus, granting of share options, or other fringe benefits) payable by our Group to each of the Directors will be as follows:

Executive Directors

Mr. Chen	HK\$600,000
Mr. Lin	HK\$300,000

Non-executive Director

Ms. Chen	HK\$180,000
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Independent non-executive Directors

Mr. Leung Siu Hong (梁兆康)	HK\$120,000
Mr. Chen Wen Hua (陳文華)	HK\$120,000
Ms. Peng Xu (彭淑)	HK\$120,000

Such annual salary may be reviewed annually after each year of service during the term of the service contract by the remuneration committee of our Company. Any adjustment of salary must be recommended by the remuneration committee and approved by the Board.

- (f) Each of the executive Directors is entitled to reimbursement for all reasonable expenses properly incurred in the performance of his duties.

5. Fees or commission received

Save as disclosed in the paragraph headed “Underwriting — Underwriting arrangements and expenses — commissions and expenses” in this prospectus, none of the Directors or the experts named in the paragraph headed “Qualifications of experts” in this Appendix had received any agency fee or commissions from our Group within the two years preceding the date of this prospectus.

6. Related party transactions

Details of the related party transactions during the two years preceding the date of this prospectus are set out under Note 25 to the Accountant’s Report set out in Appendix I to this prospectus.

7. Disclaimers

Save as disclosed in this prospectus:

- (a) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between the Directors and any member of our Group;
- (b) none of the Directors or the experts named in the paragraph headed “Qualifications of experts” in this Appendix has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (c) none of the Directors or the experts named in the paragraph headed “Qualifications of experts” in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (d) taking no account of Shares which may be taken up under the Global Offering and allotted and issued pursuant to the exercise of the Over-allotment Option and any options which have been or may be granted under the Share Option Scheme, none of the Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Capitalisation Issue and the Global Offering, have any interest or short positions in Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;
- (e) none of the Directors or chief executive of our Company has any interest or short position in the Shares, underlying Shares or debentures of our Company or any of the associated corporations (within the meaning of the SFO) or any interest which, once the Shares are listed on the Stock Exchange, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which he will be taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules, to be notified to our Company and the Stock Exchange; and

- (f) none of the experts referred to under the heading “Qualifications of experts” of this Appendix has any shareholding in any member of our Group or the right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

D. SHARE OPTION SCHEME

The principal terms of the Share Option Scheme conditionally adopted under the written resolutions of the Shareholder passed on 7 August 2015 are set out below:

1. Purpose of the Share Option Scheme

The Share Option Scheme is an incentive scheme and is established to recognise the contributions that Eligible Participants (as defined below) have made or may make to our Group.

The Share Option Scheme will provide the Eligible Participants with an opportunity to acquire proprietary interests in our Company with the view to achieving the following principal objectives:

- (a) motivate the Eligible Participants to optimise their performance and efficiency for the benefit of our Group; and
- (b) attract and retain or otherwise maintain ongoing business relationship with the Eligible Participants whose contributions are, will or expected to be beneficial to our Group.

For the purpose of the Share Option Scheme, “Eligible Participants” means any person who satisfies the eligibility criteria in paragraph 2 below.

2. Who may join and basis of eligibility

The Board may at its discretion grant options to:

- (i) any Eligible Employees. “**Eligible Employees**” means employees (whether full time or part time, including any executive Director but excluding any non-executive Director) of our Company, any subsidiary or any entity in which our Group holds at least 20% of its issued share capital (“**Invested Entity**”);
- (ii) any non-executive Directors (including independent non-executive Directors) of our Company, any subsidiary or any Invested Entity;
- (iii) any supplier of goods or services to any member of our Group or any Invested Entity;
- (iv) any customer of any member of our Group or any Invested Entity;

- (v) any person or entity that provides research, development or other technological support to any member of our Group or any Invested Entity;
- (vi) any shareholder of any member of our Group or any Invested Entity or any holder of any securities issued by any member of our Group or any Invested Entity;
- (vii) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of our Group or any Invested Entity; and
- (viii) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement of the development and growth of our Group,

and, for the purposes of the Share Option Scheme, options may be granted to any company wholly owned by one or more Eligible Participants.

The basis of eligibility of any participant to be granted any option shall be determined by the Board (or as the case may be, the independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of our Group.

3. **Subscription Price of Shares**

The exercise price for any Share under the Share Option Scheme shall be a price determined by the Board and notified to each grantee and shall not be less than the highest of: (i) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Shares on the date of grant of the relevant option, which must be a business day in Hong Kong and a day on which the Stock Exchange is open for the business of dealing in securities (a "**Trading Day**"); (ii) an amount equivalent to the average closing price of a Share as stated in the Stock Exchange's daily quotations sheets for the five Trading Days immediately preceding the date of grant of the relevant option; and (iii) the nominal value of a Share on the offer date. For the purpose of calculating the exercise price where our Company has been listed for less than five Trading Days, the Offer Price of the Shares shall be used as the closing price of the Shares for any Trading Days falling within the period before the Listing Date.

4. **Grant of options and acceptance of offers**

An offer for the grant of options shall be deemed to have been accepted when our Company receives the letter containing the offer duly signed by the grantee together with a remittance of HK\$1.00 (or such other nominal sum in any currency as the Board may determine) in favour of our Company as consideration for the grant thereof within such time as may be specified in the offer (which shall not be later than 21 days from the offer date). Such remittance shall in no circumstances be refundable. Once accepted, the option is granted as from the date on which it was offered to the relevant Eligible Participant.

5. Maximum number of Shares

- (i) Subject to sub-paragraphs (ii) to (iv) below, the maximum number of Shares in respect of which options may be granted under the Share Option Scheme and any other schemes shall not, in aggregate, exceed 10% of the Shares in issue as at the Listing Date (i.e. 75,000,000 Shares) (the “**Scheme Mandate Limit**”) unless approved by the shareholders of our Company pursuant to sub-paragraph (iii) below. Options lapsed in accordance with the terms of the scheme will not be counted for the purpose of calculating the Scheme Mandate Limit.
- (ii) Subject to sub-paragraphs (iii) and (iv) below, the Scheme Mandate Limit may be renewed by the shareholders of our Company in general meeting from time to time provided always that the Scheme Mandate Limit so renewed must not exceed 10% of the Share in issue as at the date of approval of such renewal by the Shareholders of our Company. Upon such renewal, all options granted under the Share Option Scheme and any other share option schemes of our Company (including those exercised, outstanding, cancelled, lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) prior to the approval of such renewal shall not be counted for the purpose of calculating the Scheme Mandate Limit as renewed. A circular must be sent to the shareholders of our Company containing such relevant information from time to time as required by the Listing Rules in connection with the general meeting at which their approval is sought.
- (iii) Subject to sub-paragraph (iv) below, the Board may seek separate shareholders’ approval in general meeting to grant options beyond the Scheme Mandate Limit provided that the options in excess of the Scheme Mandate Limit are granted only to the Eligible Participants specifically identified by our Company before such approval is sought and our Company must issue a circular to the shareholders of our Company containing such relevant information from time to time as required by the Listing Rules in relation to any such proposed grant to such Eligible Participants.
- (iv) The maximum number of Shares which may be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes adopted by our Group must not, in aggregate, exceed 30% of the Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes adopted by our Group if such grant will result in the said 30% limit being exceeded.

6. Maximum entitlement of each participant

No option shall be granted to any Eligible Participant which, if exercised in full would result in the total number of the Shares issued and to be issued upon exercise of the options already granted or to be granted to such Eligible Participant under the Share Option Scheme (including

exercised, cancelled and outstanding share options) in any 12-month period up to and including the date of such grant exceeding 1% in aggregate of the Shares in issue as at the date of such grant. Any grant of further options above this limit shall be subject to the following requirements:

- (i) approval of the Shareholders of our Company at general meeting, with such Eligible Participant and its associates abstaining from voting;
- (ii) a circular in relation to the proposal for such further grant must be sent by our Company to its Shareholders with such information from time to time as required by the Listing Rules;
- (iii) the number and terms of the options to be granted to such proposed grantee shall be fixed before the Shareholders' approval mentioned in (i) above; and
- (iv) for the purpose of calculating the minimum exercise price for the Shares in respect of the further options proposed to be so granted, the date of board meeting for proposing such grant of further options shall be taken as the date of offer of such options.

7. Requirements on granting options to certain connected persons

Any grant of options to any director, chief executive or substantial shareholder of our Company, or any of their respective associates, must be approved by the independent non-executive Directors (excluding an independent non-executive director who is a proposed grantee).

Where any grant of options to a substantial shareholder of our Company or an independent non-executive Director or any of their respective associates would result in the total number of the Shares issued and to be issued upon exercise of the options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person in any 12-month period up to and including the date of the grant:

- (i) representing in aggregate over 0.1% of the total number of Shares in issue; and
- (ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million,

such further grant of options must be approved by the Shareholders of our Company on a poll in a general meeting where all core connected persons of our Company must abstain from voting in favour at such general meeting. Our Company will send a circular to the shareholders containing the information required under the Listing Rules.

8. Restrictions on the time of grant of options

No option shall be granted after inside information has come to the knowledge of our Company until our Company has announced the information. In particular, during the period commencing one month immediately preceding the earlier of (i) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for our Company to announce its results for any year or half-year under the Listing Rules, or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement. No option may be granted during any period of delay in publishing a results announcement. "Inside information" has the meaning defined in the SFO.

The Board may not make any offer to an Eligible Participant who is a Director during the periods or times in which the Directors are prohibited from dealing in Shares pursuant to the Model Code for Securities Transactions by Directors of Listing Issuers prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by our company.

9. Time of exercise of option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed 10 years from the offer date subject to the provisions of early termination thereof, and provided that the Board may determine the minimum period for which an Option has to be held or other restrictions before its exercise.

The grantee shall not exercise an option to the extent that the public float of our Company will be less than 25% (or such higher percentage as required by the Stock Exchange or the Listing Rules) of the issued share capital of our Company immediately after the issue and allotment of the Shares upon such exercise of the option.

10. Performance targets

Save as determined by the Board and provided in the offer of grant of the options, there is no performance target that must be achieved before the options can be exercised.

11. Ranking of Shares

The Shares to be allotted upon the exercise of an option shall be subject to all the provisions of the Articles for the time being in force and shall rank *pari passu* in all respects with the existing fully paid Shares in issue on the allotment date and accordingly shall entitle the holders to participate in all dividends or other distributions paid or made on or after the allotment date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefore shall be before the allotment date. Any Share allotted upon the exercise of an option shall not carry voting rights until the name of the grantee has been duly entered into the register of members of our Company as the holder thereof.

12. Rights are personal to grantee

An option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any option or enter into any agreement so to do.

13. Rights on cessation of employment

- (i) In the event of death of the grantee (being an individual) before exercising the option in full, his personal representatives may exercise the option up to the grantee's entitlement (to the extent exercisable as at the date of his death and not exercised) within the period of 12 months following his death or such longer period as the Board may determine.
- (ii) In the event of the grantee who is an Eligible Employee ceasing to be an Eligible Employee for any reason other than his death, or the termination of his employment pursuant to paragraph 18(v), the grantee may exercise the option (to the extent exercisable as at the date of the relevant event and not exercised) within 30 days following such cessation or such longer period as the Board may determine.

14. Effects of alterations to share capital

In the event of any alteration in the capital structure of our Company whilst any option may become or remains exercisable, whether by way of capitalisation issue, rights issue, open offer, consolidation, sub-division or reduction of share capital of our Company, or otherwise howsoever, such corresponding alterations (if any) shall be made in the number or nominal amount of Shares subject to any options so far as unexercised and/or the subscription price per Share of each outstanding option as the auditors of our Company or an independent financial adviser shall certify in writing to the Board to be in their/his opinion fair and reasonable in compliance with Rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance issued by the Stock Exchange on 5 September 2005 and any future guidance and interpretation of the Listing Rules issued by the Stock Exchange from time to time and the note thereto. The capacity of the auditors of our Company or the approval independent financial adviser, as the case may be, in this paragraph is that of experts and not arbitrations and their certificate shall, in absence of manifest error, be final and conclusive and binding on our Company and the grantees.

Any such alterations will be made on the basis that a grantee shall have the same proportion of the issued share capital of our Company for which any grantee of an option is entitled to subscribe pursuant to the options held by him before such alteration and the aggregate subscription price payable on full exercise of any option is to remain as nearly as possible the same (and in any event not greater than) as it was before such event. No such alteration will be made the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

15. Rights on a general offer

If a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror) and such offer becomes or is declared unconditional, the grantee shall be entitled to exercise the option (to the extent exercisable as at the date on which the general offer becomes or is declared unconditional and not exercised) in full or in part at any time within 14 days after the date on which the offer becomes or is declared unconditional.

16. Rights on winding-up

In the event that notice is given by our Company to its shareholders to convene a shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind up our Company, our Company shall forthwith give notice thereof to the grantee and the grantee shall be entitled to exercise all or any of his/her options (to the extent exercisable as at the date of the notice to the grantee and not already exercised) at any time not later than two Trading Days (excluding any period(s) of closure of our Company's share registers) prior to the proposed meeting of our Company to consider the winding-up and our Company shall, as soon as possible and in any event no later than the Trading Day (excluding any period(s) of closure of our Company's share registers) immediately prior to the date of the proposed shareholders' meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise.

17. Rights on compromise or arrangement

In the event of a compromise or arrangement between our Company and its members or creditors being proposed in connection with a scheme for the reconstruction or amalgamation of our Company, our Company shall give notice thereof to all grantee on the same date as it gives notice of the meeting to its members or creditors to consider such a scheme of arrangement, and thereupon the grantee shall be entitled to exercise all or any of his/her option(s) (to the extent which has become exercisable as at the date of the notice to the grantee and not exercised) at any time not later than two Trading Days (excluding any period(s) of closure of our Company's share registers) prior to the proposed meeting and our Company shall, as soon as possible and in any event no later than the Trading Day (excluding any period(s) of closure of our Company's share registers) immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise.

18. Lapse of options

An option shall lapse and not be exercisable on the earliest of:

- (i) the expiry of the option period as set out in paragraph 9 above;
- (ii) the expiry of any of the periods referred to in paragraph 13 above;

- (iii) subject to paragraph 16 above, the date of the commencement of the winding-up of our Company;
- (iv) subject to the scheme becoming effective, the expiry of the period referred to in paragraph 17 above;
- (v) the date on which the grantee who is an Eligible Employee ceases to be an Eligible Employee by reason of the summary dismissal or being dismissed for misconduct or other breach of the terms of his employment contract or other contract constituting him an Eligible Employee, or the date on which he begins to appear to be unable to pay or has no reasonable prospect of being able to pay his debts or has become insolvent or has made any arrangements or composition with his or her creditors generally or on which he has been convicted of any criminal offence involving his or her integrity or honesty, unless otherwise resolved to the contrary by the Board;
- (vi) in respect of a grantee other than an Eligible Employee, the date on which the Board shall determine that (i) (aa) such grantee has committed any breach of any contract entered into between such grantee on the one part and our Group or any Invested Entity on the other part; or (bb) such grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or (cc) such grantee could no longer make any contribution to the growth and development of our Group by reason of the cessation of its relations with our Group or by any other reason whatsoever; and (ii) the option shall lapse as result of any event specified in sub-paragraph (i) (aa), (bb) or (cc) above, unless otherwise resolved to the contrary by the Board;
- (vii) the expiry of any of the periods referred to in paragraph 15 above; and
- (viii) the date on which the grantee commits a breach of any terms or conditions attached to the grant of the option, unless otherwise resolved to the contrary by the Board.

If the grantee is a company wholly owned by one or more Eligible Participants:

- (1) the provisions of paragraphs 13(i) and (ii), 18(v) and (vi) shall apply to the grantee and to the options granted to such grantee, mutatis mutandis, as if such options had been granted to the relevant Eligible Participant, and such options shall accordingly lapse or fall to be exercisable after the event(s) referred to in paragraphs 13(i) and (ii), 18(v) and (vi) shall occur with respect to the relevant Eligible Participant; and
- (2) the options granted to the grantee shall lapse and determine on the date the grantee ceases to be wholly owned by the relevant Eligible Participant,

provided that the Board may decide that such options or any part thereof shall not so lapse or determine subject to such conditions or limitations as they may impose.

19. Cancellation of options granted but not yet exercised

The Board shall have the absolute discretion to cancel any options granted at any time if the grantee so agreed provided that where an option is cancelled and a new option is proposed to be issued to the same grantee, the issue of such new option may only be made with available but unissued options (excluding the cancelled options) within the limit approved by the Shareholders as mentioned in the Share Option Scheme from time to time.

20. Period of the Share Option Scheme

Subject to the terms of the Share Option Scheme, the Share Option Scheme shall be valid and effective for a period of 10 years after the adoption date, after which no further options may be issued. Subject to the above, in all other respects, in particular, in respect of Options remaining outstanding, the provisions of the Share Option Scheme shall remain full force and effect.

The Board may impose such terms and conditions of the offer of grant either on a case-by-case basis or generally as are not inconsistent with the Share Option Scheme including but not limited to the minimum period for which an option must be held before it can be exercised.

21. Alteration to the Share Option Scheme

The Share Option Scheme may be altered in any respect by resolution of the Board except those specific provisions relating to matters set out in the Listing Rules (or any other relevant provisions of the Listing Rules from time to time applicable) which cannot be altered to the advantage of grantees or prospective grantees except with the prior approval of the shareholders of our Company in general meeting. No such adjustments shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alterations except with the consent or sanction in writing of such majority of the grantee as would be required of the shareholders of our Company under the Articles for the time being of our Company for a variation of the rights attached to Shares.

Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted must be approved by the Shareholders in general meeting, except where such alterations take effect automatically under the existing terms of the Share Option Scheme.

Any change to the authority of the Directors or administrators of the Share Option Scheme in relation to any alterations to the terms of the Share Option Scheme must be approved by the Shareholders in general meeting.

The amended terms of the Share Option Scheme and/or the options must continue to comply with the relevant provisions of the Listing Rules and supplementary guidance on the interpretation of the Listing Rules issued by the Stock Exchange from time to time (including the supplemental guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option scheme).

Subject to the above paragraphs, the Board may at any time alter, amend or modify the terms and conditions of the Share Option Scheme such that the provisions of the Share Option Scheme would comply with all relevant legal and regulatory requirements in all relevant jurisdictions to the extent as considered necessary by the Board to implement the terms of the Share Option Scheme.

22. Termination of the Share Option Scheme

Our Company by ordinary resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event, no further options will be offered but the provisions of the Share Option Scheme shall remain in force in all other respects.

Options complying with the provisions of the Listing Rules which are granted during the life of the Scheme and remain unexpired immediately prior to the termination of the operation of the Share Option Scheme shall continue to be exercisable in accordance with their terms of issue after the termination of the Share Option Scheme.

23. Conditions of the Share Option Scheme

The Share Option Scheme is conditional upon (i) the Stock Exchange granting the approval of the listing of and permission to deal in, the Shares in issue, the Shares to be issued pursuant to the Capitalisation Issue, the Global Offering and any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme in respect of up to 10% of the Shares in issue as at the Listing Date; (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any such condition(s)) and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise; and (iii) the commencement of dealings in the Shares on the Stock Exchange.

As at the Latest Practicable Date, no option had been granted by our Company under the Share Option Scheme. An application has been made to the Listing Committee of the Stock Exchange for the approval of the listing of, and permission to deal in the Shares to be issued and allotted by our Company pursuant to the exercise of options that may be granted under the Share Option Scheme in respect of up to 10% of the Shares in issue as at the Listing Date.

The Directors consider it inappropriate to disclose the value of options which may be granted under the Share Option Scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including, the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of options. The Directors believe that any calculation of the value of options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

E. OTHER INFORMATION**1. Tax and other indemnities**

The Controlling Shareholders have, entered into the Deed of Indemnity in favour of our Company (for itself and as trustee for other Group members) referred to in paragraph (k) of the sub-section headed “Summary of material contracts” in this Appendix, pursuant to which the Controlling Shareholders have given indemnities in favour of our Group from and against, among other things, (a) any tax liability which might be payable by any member of our Group (i) in respect of any income, profits or gains earned, accrued or received up to the Listing Date; or (ii) in respect of or resulting from any act, omission or event occurring up to the Listing Date; and (b) any action, claims, losses, charges, penalties which any member of the Group may incur or suffer as a result of or in connection with any failure to comply with relevant laws and regulations up to the Listing Date, the inaccurate representations published in the website of the “WithCity” e-shops before rectification took place in June 2015 and the reasonable costs and expenses incurred in connection with the actions, claims, legal or arbitration proceedings related thereto. The Controlling Shareholders will, however, not be liable under the Deed of Indemnity for taxation to the extent that, among others:

- (a) to the extent that provision, reserve or allowance has been made for such taxation liability in the audited accounts of any member of our Group for each of the three years ended 31 December 2014 and for the three months ended 31 March 2015; or
- (b) the taxation liability arises or is incurred as a result of a retrospective change in law or a retrospective increase in tax rates coming into force after the date of Deed of Indemnity; or
- (c) to the extent any provisions or reserve made for taxation in the audited accounts of our Group or any member of our Group up to 31 March 2015 which is finally established to be an over-provision or an excessive reserve then the amount of any such provision or reserve shall be applied to reduce the Controlling Shareholders’ liability by an amount not exceeding such over-provision or excess reserve; or
- (d) the taxation liability arises in the ordinary course of business of our Group after the Listing Date.

In the event that the Controlling Shareholders have indemnified our Group of any tax liability and payment arising from any additional assessment by any tax authority pursuant to the Deed of Indemnity referred to above, our Company shall disclose such fact and relevant details by way of an announcement immediate after the payment of indemnification by the Controlling Shareholders.

The Controlling Shareholders have also undertaken to indemnify our Group, on a joint and several basis, against any costs, expenses, claims liability, penalties, losses or damages incurred or suffered by our Group arising from or in connection with the non-compliance as referred to in the paragraph headed “Business — Legal and Compliance — Non-Compliance Matters” in this prospectus.

The Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands is likely to fall on our Group.

2. Litigation

As at the Latest Practicable Date, to the best of the Directors’ knowledge, there was no litigation or arbitration (whether current, pending or threatened) proceedings against any member of our Group that is of material importance or could have a material adverse effect on our Group’s financial condition or performance.

3. The Sole Sponsor

The Sole Sponsor has, on behalf of our Company, made an application to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein and the Shares falling to be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme in respect of up to 10% of the Shares in issue as at the Listing Date. The Sole Sponsor declared its independence from the Company pursuant to Rule 3A.07 of the Listing Rules and satisfies the independence criteria applicable to the Sole Sponsor set out in Rule 3A.07 of the Listing Rules. The sponsorship fee is HK\$4,200,000.

4. Preliminary expenses

The preliminary expenses of our Company are approximately HK\$109,000 and are payable by our Company.

5. Promoter

Our Company has no promoter within two years preceding the date of this prospectus, no amount or benefit has been paid or given to the promoter in connection with the Global Offering or the related transactions described in this prospectus.

6. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualifications
China Investment Securities International Capital Limited	A corporation licensed to carry on type 6 (advising on corporate finance) regulated activity under the SFO
DLA Piper Hong Kong	Legal advisers to our Company as to International Sanctions Laws
Grant Thornton Hong Kong Limited	Certified Public Accountants
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Property valuer
Tian Yuan Law Firm	Legal advisers to our Company on PRC law
Appleby	Cayman Islands attorneys-at-law
China Research and Intelligence Co., Ltd.	Industry consultant

7. Consents of experts

Each of the parties listed in the paragraph headed “Qualifications of experts” has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its letter, and/or report, and/or valuation certificate opinion and/or references to its name (as the case may be), all of which are dated the date of the prospectus, in the form and context in which they respectively appear in the prospectus.

8. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

9. Share Registrar

The register of members of our Company will be maintained in the Cayman Islands by Appleby Trust (Cayman) Ltd. and a branch register of members of our Company will be maintained in Hong Kong by Tricor Investor Services Limited. Save where the Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, our Company's branch share registrar in Hong Kong and may not be lodged in the Cayman Islands.

10. No material adverse change

The Directors confirm that there has been no material adverse change in the financial prospects of our Company or its subsidiaries since 31 March 2015 (being the date to which the latest audited financial statements of our Company were made up).

11. Miscellaneous

Save as disclosed herein:

- (a) within the two years immediately preceding the date of this prospectus:
 - (i) no share or loan capital of our Company or any of its subsidiaries has been issued, agree to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries;
 - (iii) no commission has been paid or payable (except to sub-underwriter) for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any Shares; and
 - (iv) no founder, management or deferred shares of our Company have been issued or agreed to be issued.
- (b) no share, warrant or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- (c) none of the equity and debt securities of our Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought;

- (d) all necessary arrangements have been made enabling the Shares to be admitted into CCASS;
- (e) the Directors confirm that none of them shall be required to hold any shares by way of qualification and none of them has any interest in the promotion of our Company; and
- (f) there has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this prospectus.

12. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided in section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). In case of any discrepancies, between the English language version and the Chinese language version, the English language version shall prevail.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) a copy of each of the Application Forms;
- (b) written consents referred to in the paragraph headed “Consents of experts” in Appendix V to this prospectus; and
- (c) copies of each of the material contracts referred to in the paragraph headed “Summary of material contracts” in Appendix V to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Hastings & Co. at 5/F Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (1) the Memorandum and the Articles of Association of our Company;
- (2) the Accountant’s Report prepared by Grant Thornton Hong Kong Limited, the text of which is set out in Appendix I to this prospectus;
- (3) the audited combined financial statements of the companies now comprising our Group for each of the three years ended 31 December 2014 and three months ended 31 March 2015;
- (4) the letter received from Grant Thornton Hong Kong Limited on the unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;
- (5) the letter, summary of valuations and valuation certificates relating to the property interests of our Group prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited the texts of which are set out in Appendix III to this Prospectus;
- (6) the material contracts referred to in the section headed “Summary of material contracts” in Appendix V to this prospectus;
- (7) the written consents referred to in the section headed “Consents of experts” in Appendix V to this prospectus;

- (8) the letter prepared by the legal advisers to our Company as to Cayman Islands law, summarising certain aspects of the Companies Law referred to in Appendix IV to this prospectus;
- (9) the legal opinions issued by Tian Yuan Law Firm, the PRC legal advisers dated the date of the prospectus in respect of, inter alia, certain aspects on business operations and property interests of our Group;
- (10) the legal memorandum issued by DLA Piper Hong Kong relating to certain International Sanction Laws dated the date of this prospectus;
- (11) the CRI Report referred to in the section headed “Industry Overview” in this prospectus;
- (12) the service agreements or letters of appointment of our Directors referred to in the paragraph headed “Particulars of service agreements” in Appendix V to this prospectus;
- (13) the Companies Law; and
- (14) the rules of the Share Option Scheme.



China Partytime Culture Holdings Limited
中國派對文化控股有限公司